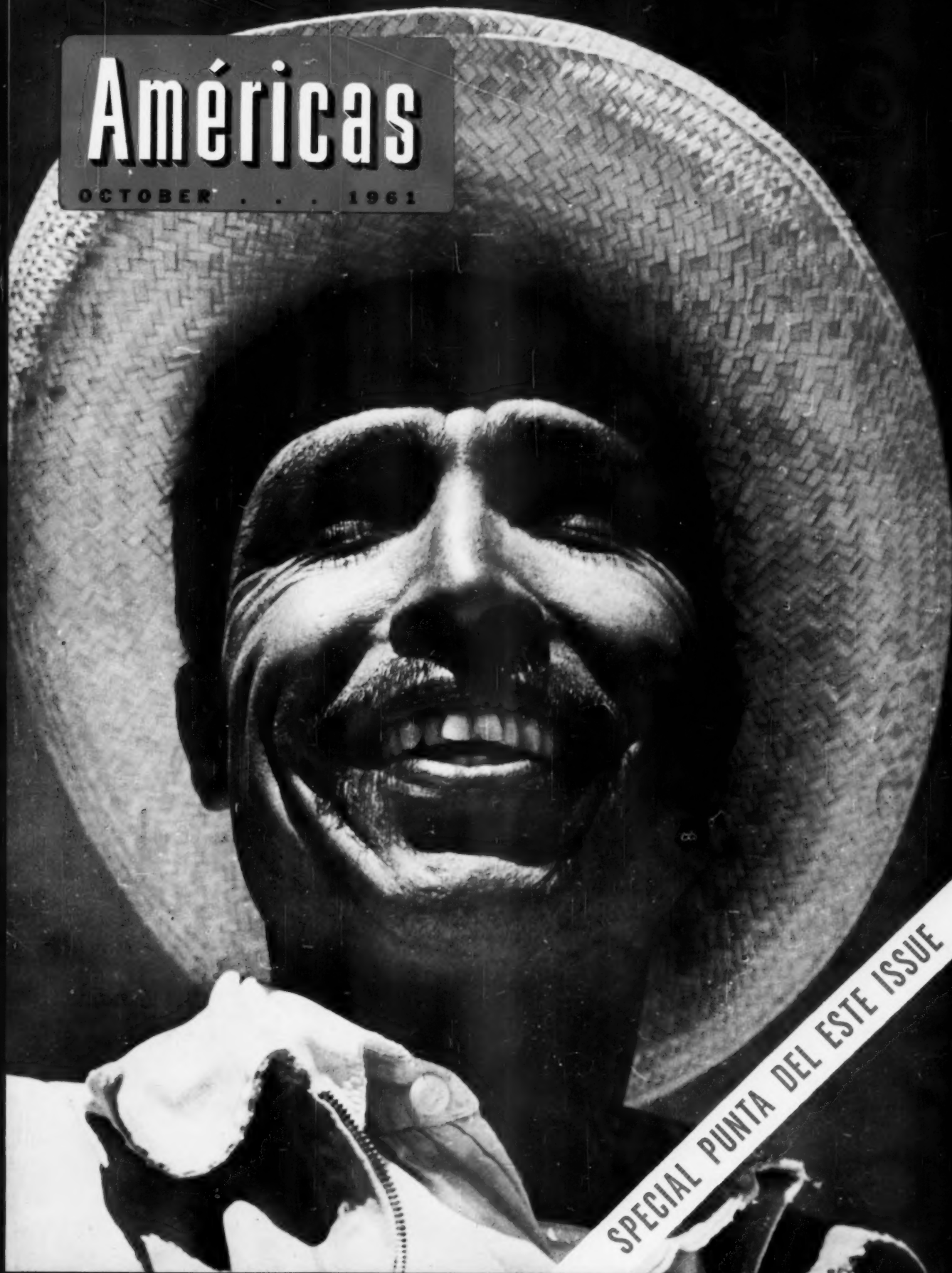


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SPECIAL PUNTA DEL ESTE ISSUE



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Zapotec watchman at Monte Albán, Mexico. Photograph by Eugen Kusch

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Here and There

■ This Special Punta del Este Issue deals exclusively with the American nations' economic and social problems and their collective efforts to solve them. The Secretary General of the OAS sets the tone for the issue with his message "A New Future for Latin America." Our report from the Punta del Este Meeting itself, including the complete text of the "Declaration to the Peoples of America," is followed by a comprehensive background article, "The Struggle for Progress," prepared by a member of the PAU Department of Economic Affairs. An international panorama of individual views is presented in the articles by, and interviews with, political, labor, and business leaders of the Americas.

■ The first loans from the \$394,000,000 Social Progress Trust Fund established by the United States have been announced by the Inter-American Development Bank, which is administering the Fund. The Panama City Housing Institute will get \$7,600,000 to help finance 3,000 urban homes; the Workers' Bank of Caracas will get \$12,000,000 to assist the self-help construction of 21,000 rural homes; and the Central Reserve Bank of El Salvador will get \$2,000,000 for agricultural credit cooperatives' loans to small farmers.

■ A decision by Ambassador Vicente Sánchez Gavito, chairman of the Honduras-Nicaragua Mixed Commission, recently resolved differences over the last remaining section of the boundary between those countries. This completes the carrying out of the ruling made by the International Court of Justice last year.

■ At the request of the Dominican Republic, the OAS has sent a three-man mission to advise that country on elections. Elections are scheduled for May 1962. The mission, provided under the Direct Technical Assistance Program, will last three months.

■ Traffic safety, traffic engineering, and traffic control measures were discussed in Washington in September at the First Inter-American Traffic Seminar, sponsored by the OAS.

■ Concerts scheduled for the Pan American Union this month will feature Chilean violinist Pedro d'Andurain, Bolivian violinist Jaime Laredo, and Uruguayan pianist Héctor Tosar. On view at the PAU gallery late this month will be works of Jorge Páez of Uruguay.

NEXT MONTH IN AMERICAS

Next month we will start a series of four articles by Luis Alberto Sánchez on "The University in Latin America." Also featured will be a firsthand report on the current critical situation in the Brazilian Northeast.

Opposite: The Sugar Cane Cutters. Duco on wood by Mario Carreño, 1943

A NEW FUTURE FOR LATIN AMERICA



THE SPECIAL MEETING of the Inter-American Economic and Social Council at the Ministerial Level has studied plans for an accelerated development of the Latin American countries within the framework of Operation Pan America and the Alliance for Progress.

The conference at Punta del Este was called to spell out the new orientation that is being sought for inter-American relations in the second half of this century. It has been said that our era will go down in history as a stage when the attention of humanity was on the countries in the process of development. The profound changes that we are witnessing in Latin America show clearly that we can waste no time in putting into effect the solutions that the peoples are demanding today. The background papers prepared for the meeting by the General Secretariat of the OAS show that our Hemisphere has inexhaustible resources for overcoming the crisis through which it is now passing.

A diagnosis of the ills afflicting Latin America reveals that one of the basic causes, among others, is the notorious disparity in the distribution of income—something that, far from lessening, tends to become more marked, even in those countries that have maintained a satisfactory rate of economic growth up to now. We are confronted with a lack of technicians, scientists, and administrative and managerial personnel in many of the Latin American countries, as well as of an adequate rate of savings and investments, and the persistence, in some sectors and regions, of a low technical, industrial, and

agricultural level, and of slow technological progress. There are not enough jobs to make productive use of the increasing numbers of people of an economically active age. This situation renders the concentration in urban centers more severe, and causes there a shortage of schools, hospitals, and houses. All of this has resulted in alarming symptoms of restlessness among the masses of people.

If we examine the profound changes that are occurring, we can see that economic planning has ceased to be viewed apprehensively, as it was until recently by many governments. Planning was mistakenly identified with state intervention. Under the Alliance for Progress economic planning, along with energetic action by the governments, will give greater impetus to individual initiative, resulting in a faster increase in income, and progressively improving the distribution of wealth.

Agrarian reform will also have to be interpreted in the broadest sense—improving methods of agricultural production, assuring a better distribution of the land, and increasing food production to keep pace with the population growth in the Americas.

The background papers prepared by the General Secretariat brought to light the full reality of the alarming situation in Latin America, but we face it with full confidence in the ability of the Americas to respond to the challenge that confronts them. There are evidences of strength and progress that warrant this confidence. Democratic development has had consistent, sure, and solid

successes in recent years. Governing officials who have genuine popular support, men gifted with considerable political vision, are leading the majority of our countries. They are being called upon to take part in the new plan, which will bring the community of American peoples into an alliance for working together on development programs. The key concept of this new Alliance is that each country has the responsibility for solving its own problems. International cooperation, as intensive as is necessary, will be a complementary element; what is primarily needed is the willingness and decision of the governments themselves to make the necessary reforms in administration and tax structure, and to train technicians and planners.

In addition to the plan for development through national and collective action, the most important points of the agenda for the Punta del Este meeting were the problem of the prices of the basic commodities the Latin American nations export, and regional integration. The former is a matter of fundamental importance for the economic and political security of the Hemisphere. Efforts toward regional integration, such as the Latin American Free Trade Association and the Central American Economic Association, are phenomena of great promise for the Hemisphere. Our people are deeply devoted to the goal of Latin American economic integration.

Well-determined objectives and quantitative goals will guide the planning, but in addition to all the technical and scientific aspects of the development of the Americas, we must not forget that the changes and the new orientations necessary for progress take place above all in the minds and consciences of men, and that it is there that the first and foremost planning efforts must begin. Therefore, education and training are the foundations of our task. Latin America's greatest resource is its people.

No decision, whether by international conferences or by national governments, can be effective if it is not based on the faith, the active enthusiasm, and the creative initiative of the peoples. And this enthusiasm can be aroused only by a forthright, unvarnished report on what is being done to put such decisions into practice.

This special issue of AMÉRICAS, the magazine of the OAS, is designed to give this report. Giving each contributor a chance to express his views openly and freely has resulted in a variety of opinions, united in a common effort to contribute to finding the best roads for social and economic development under liberty and social justice.

This issue should be read with the same spirit in which it was prepared, which is also the spirit that motivates the OAS. I trust that it will help to create the climate of objective information, understanding of the problems, and enthusiasm, without which no measures taken can be truly effective.

José A. Mora

José A. Mora
Secretary General, OAS



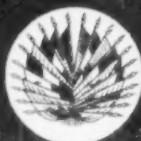
Latin America's ...



... greatest resource ...

... is its people





DECLARATION TO THE PEOPLES OF AMERICA

ASSEMBLED IN PUNTA DEL ESTE, inspired by the principles consecrated in the Charter of the Organization of American States, in Operation Pan America and the Act of Bogotá, the representatives of the American Republics hereby agree to establish the Alliance for Progress: a vast effort to bring a better life to all the peoples of the Continent.

This Alliance is established on the basic principle that free men working through the institution of representative democracy can best satisfy man's aspirations, including those for work, home and land, health and schools. No system can guarantee true progress unless it affirms the dignity of the individual which is the foundation of our civilization.

Therefore, the countries signing this declaration in the exercise of their sovereignty have agreed to work toward the following goals during the coming years:

- To improve and strengthen democratic institutions through application of the principle of self-determination by the people.

- To accelerate economic and social development, thus rapidly bringing about a substantial and steady increase in the average income in order to narrow the gap between the standard of living in Latin American countries and that enjoyed in the industrialized countries.

- To carry out urban and rural housing programs to provide decent homes for all our people.

- To encourage, in accordance with the characteristics of each country, programs of comprehensive agrarian reform, leading to the effective transformation, where required, of unjust structures and systems of land tenure and use; with a view to replacing latifundia and dwarf holdings by an equitable system of property so that, supplemented by timely and adequate credit, technical assistance and improved marketing arrangements, the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare, and the guarantee of his freedom and dignity.

- To assure fair wages and satisfactory working conditions to all our workers; to establish effective systems of labor-management relations and procedures for consultation and cooperation among government authorities, employers' associations, and trade unions in the interests of social and economic development.

- To wipe out illiteracy; to extend, as quickly as possible, the benefits of primary education to all Latin Americans; and to provide broader facilities, on a vast scale, for secondary and technical training and for higher education.

- To press forward with programs of health and sanitation in order to prevent sickness, combat contagious disease, and strengthen our human potential.

- To reform tax laws, demanding more from those who have most, to punish tax evasion severely, and to redistribute the national income in order to benefit those who are most in need, while, at the same time, promoting savings and investment and reinvestment of capital.

- To maintain monetary and fiscal policies which, while avoiding the disastrous effects of inflation or deflation, will

protect the purchasing power of the many, guarantee the greatest possible price stability, and form an adequate basis for economic development.

- To stimulate private enterprise in order to encourage the development of Latin American countries at a rate which will help them to provide jobs for their growing populations, to eliminate unemployment, and to take their place among the modern industrialized nations of the world.

- To find a quick and lasting solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries on which their prosperity so heavily depends.

- To accelerate the integration of Latin America so as to stimulate the economic and social development of the Continent. This process has already begun through the General Treaty of Economic Integration of Central America and, in other countries, through the Latin American Free Trade Association.

This declaration expresses the conviction of the nations of Latin America that these profound economic, social, and cultural changes can come about only through the self-help efforts of each country. Nonetheless, in order to achieve the goals which have been established with the necessary speed, domestic efforts must be reinforced by essential contributions of external assistance.

The United States, for its part, pledges its efforts to supply financial and technical cooperation in order to achieve the aims of the Alliance for Progress. To this end, the United States will provide a major part of the minimum of twenty billion dollars, principally in public funds, which Latin America will require over the next ten years from all external sources in order to supplement its own efforts.

The United States will provide from public funds, as an immediate contribution to the economic and social progress of Latin America, more than one billion dollars during the twelve months which began on March 13, 1961, when the Alliance for Progress was announced.

The United States intends to furnish development loans on a long-term basis, where appropriate running up to fifty years and in general at very low or zero rates of interest.

For their part, the countries of Latin America agree to devote a steadily increasing share of their own resources to economic and social development, and to make the reforms necessary to assure that all share fully in the fruits of the Alliance for Progress.

Further, as a contribution to the Alliance for Progress, each of the countries of Latin America will formulate comprehensive and well-conceived national programs for the development of their own economies.

Independent and highly qualified experts will be made available to Latin American countries in order to assist in formulating and examining national development plans.

Conscious of the overriding importance of this declaration, the signatory countries declare that the inter-American community is now beginning a new era—when it will supplement its institutional, legal, cultural and social accomplishments with immediate and concrete actions to secure a better life, under freedom and democracy, for the present and future generations.



Flags and delegates of the twenty-one American republics at the Special Meeting at Punta del Este

Report from Punta del Este

STANFORD BRADSHAW

IT IS A WINTER MORNING in Punta del Este, Uruguay. The chill blue waves lisp upon the white beach under a brilliant sun. A seven-year-old girl, her brown dress worn and patched, struggles along carrying a burlap bag filled with wooden blocks for burning. The weight is too much for her thin arms and legs. Every few steps, she stops to rest.

Two blocks away, around blue baize-covered tables, against a background of flags, in a hall converted in forty days from a gambling casino, the most skilled economists of the Western Hemisphere discuss the girl's situation and the situation of millions like her. For she, carrying her load, could symbolize the problems of Latin America: the need for food, energy, education, transport, land, jobs, health, assurance of progress toward a more secure future.

But even if she were told, the child probably could not comprehend the decisions made in the brightly-lighted hall. The words in the final document—the "Charter of Punta del Este"—signed August 17 by twenty of the twenty-one American republics, inevitably are the words of economists. But they are words that will affect her and her life in and beyond the coming decade.

STANFORD BRADSHAW, recently named press adviser to the Secretary General of the OAS, has covered most major inter-American meetings since 1954 as an Associated Press correspondent specializing in Latin American affairs.

At Punta del Este, by the shining sea, with the sand and the dark pines sweeping inland, the American nations took a historic step forward. They established a revolutionary "Alliance for Progress," an alliance for a war against hunger, disease, and poverty. It is an economic alliance that could prove more far reaching than the political revolutions that brought independence to the American nations almost two hundred years ago.

The nations that signed the Charter (Cuba alone abstained) accompanied it with a "Declaration to the Peoples of America," stating, in simpler terms, the goals of the Alliance.

These, in the dry but startling figures used by statisticians, include:

—Achieving a 2.5 per cent annual per capita increase in economic growth, or 25 per cent more by 1970. This, naturally, would be reflected in individual income figures, and would be accompanied by a "more equitable distribution of national income."

—Elimination of adult illiteracy, and access to six years of primary education for each school-aged child in Latin America by 1970. This would mean that 45,000,000 more children would be attending school by the end of the decade, and that 50,000,000 adults would be incorporated in the cultural life of their nations.

—An increase in life expectancy by a minimum of five years by 1970, from the present levels, which range

Of Top Interest



David Carillo, of Mexico
Special for AMÉRICAS

Carlos A. Galindo,
of Venezuela
Special for AMÉRICAS



Nothing Up My Sleeve

as low as 32.6 years for Haitian and 39.3 for Brazilian men; provision for an adequate potable water supply for 70 per cent of the urban populations by the end of the decade, as compared with 61 per cent at present; and halving the mortality rate of children under five years of age, now averaging 32 per thousand for all of Latin America.

—New efforts to increase the construction of low-cost houses for families with low incomes.

—Encouragement for programs of land reforms, aimed at revising the size of both the largest and the smallest holdings, so that "the land will become for the man who works it the basis of his economic stability, the foundation of his increasing welfare, and the guarantee of his freedom and dignity."

—Maintaining stable price levels, avoiding both inflation and deflation.

—Acceleration of the process of economic integration.

At the same time, the Declaration to the Peoples said that the Alliance "is established on the basic principle that free men working through the institution of representative democracy can best satisfy man's aspirations. . . . No system can guarantee true progress unless it affirms the dignity of the individual which is the foundation of our civilization."

In essence, the "great new common effort" for which the delegates called is based on two foundation stones: an increased flow of capital from abroad, and greater self-help efforts on the part of the Latin American nations for the ends mentioned in the Charter. The foreign capital would be required to provide the goods and services that the Latin American nations themselves might be unable to supply. It also would support the self-help measures.

The first point was clarified early in the Punta del Este conference, when the U. S. Delegate, Treasury Secretary C. Douglas Dillon, said that Latin America can reasonably expect an inflow of capital over the next ten years of at least twenty billion dollars. And in order to provide immediate impact, he also agreed that the United States would provide more than one billion dollars from public funds for the year that began on March 13, 1961, when President John F. Kennedy announced the "Alliance for Progress" in a speech at the White House and called for the special conference to carry out the plans.

Over the next eighteen months or so, the Charter also specifies, the Latin American nations are to prepare long-range plans. These plans will constitute the base on which the bulk of the long-range credits will be advanced. Since his return from Punta del Este, Dillon has indicated that the total cost of the Alliance program, in national and foreign currencies, may amount to one hundred billion dollars.

A key point in the conference, called through the OAS, and titled "Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level," was the mechanism to help guide this "massive planning effort" that President Kennedy had said would be the heart of the Alliance. The OAS, the Inter-American Development Bank, and the United Nations Economic Commission for Latin America (ECLA) all are to cooperate in the planning program, and strengthen their already

"Right With You, Amigo"



Herb Block in
The Washington Post



U. S. Secretary of the Treasury C. Douglas Dillon speaks about the Alliance for Progress

well-developed procedures for coordination.

But the Punta del Este delegates, working from a basic document prepared by a group of experts named in May by OAS Secretary General Dr. José A. Mora, agreed on a new group or panel of nine experts that also can assist in preparing and reviewing national development plans. The nine are to be jointly nominated by the OAS Secretary General, the President of the Bank, and the Executive Secretary of ECLA. When a national plan is presented a special panel—three from the permanent group and up to three to be especially named by the OAS Secretary General—can constitute an ad hoc group to review it. But the governments do not necessarily have to submit their plans to the panel. This latter provision was included at the insistence of nations concerned over possible infringements on their sovereignty.

A further major recommendation, approved in the Charter, and also arising from OAS-backed studies, calls for a special meeting of financial and trade experts before November 30, 1961. These experts would study a proposed international fund for the stabilization of export receipts, as well as a separate proposal for a fund to provide compensatory financing of exports. It was felt that if suitable and agreeable devices can be found in this direction, the guarantee of minimum export earnings over the ten years of the Alliance program would be a major factor in assuring its success.

In the field of economic integration, also the subject of a basic document by OAS experts, the Charter suggests the establishment of "adequate relationships" between the Latin American Free Trade Association and the Central American Economic Integration Treaty. The extension of present national markets in Latin America, it said, is "an essential condition for hastening the process of economic development in the Hemisphere."

Not included directly in the Charter, but in an an-

nexed resolution, is a provision for the creation, by the OAS Secretary General, of special task forces in the fields of education, land reform, and public health. The three can be supplemented with others in such specialized fields as labor standards and labor relations, marketing, cooperative movements, land use and land tenure, public administration, and investment programming. The task forces, reporting to the Secretary General and the Inter-American Economic and Social Council, can help in the preparation of national development programs by providing the mass of detailed information that may be needed in each field.

A further resolution, included in the five annexes to the Charter, recognizes that the "vast program" of the Alliance will require "understanding and active cooperation from all the peoples of America." It therefore recommends that the OAS Council study the possibility of convoking, as soon as possible, a special meeting on information media that would seek to determine "the most appropriate action for informing public opinion on these development plans." The resolution also directs that the OAS Department of Public Information give "preferential attention" to the development efforts to be undertaken through the Alliance.

All told, the English language versions of the "Declaration to the Peoples," the "Charter of Punta del Este," and the five appended resolutions cover fifty-two pages, and give a multiplicity of detail on just what is contemplated under the Alliance. The Charter, like the earlier "Act of Bogotá," appears certain to become a historic document, a new milestone in inter-American cooperation. The element of a high degree of cooperation in economic affairs has now been added to the long-standing New World tradition of cooperation in political affairs. The economic relations of the Hemisphere have moved away from pure bi-lateralism to multi-lateralism. ☞

Uruguayan Minister of Finance Juan Eduardo Azzini was chairman of the meeting





THE STRUGGLE FOR PROGRESS

ELBA KYBAL

BETWEEN THE ESTABLISHMENT of the Inter-American Economic and Social Council in Bogotá in 1948 and the Act of Bogotá in 1960, which is the most important result of the Operation Pan America proposed by Brazil in 1958, inter-American economic cooperation efforts took the form of sporadic measures to cure the symptoms of the disease of underdevelopment from which Latin America is suffering.

The Act of Bogotá recognizes the importance of the social factors that retard development, such as illiteracy, malnutrition, inadequate housing, and disease, and institutional factors that have created a land tenure structure

that hampers optimum land utilization and a tax structure in which tax burdens are not distributed equitably. To attack these evils, the United States decided to establish a special inter-American fund for social development, with an initial contribution of \$500,000,000. A more complete approach to the problem of underdevelopment was given by the Kennedy plan known as "Alliance for Progress," presented in 1961, which, acknowledging the premises of the Act of Bogotá, goes one step further and proposes massive economic aid for Latin America under long-term development plans, support of Latin American economic integration movements, and measures to remedy fluctuations in prices for basic export products. The Act of Bogotá and the Alliance for Progress complement each other in opening the way for measures to cure structural

ELBA KYBAL, a senior specialist in the PAU Department of Economic Affairs, prepared this three-part article to present the economic and historical background of the Alliance for Progress.

defects from which the countries of this Hemisphere suffer.

The underdevelopment problems inter-American co-operation seeks to solve, despite the different approaches used, have not varied much in substance in more than a decade, but they have increased greatly in magnitude.

1. Financing of Development

The annual per capita income is very low, and therefore most of such income is spent for consumption, and very little is saved. Since savings volume determines the limit of investment, the investment volume is inadequate. To supplement it, Latin American countries must depend on the importation of both public and private capital.

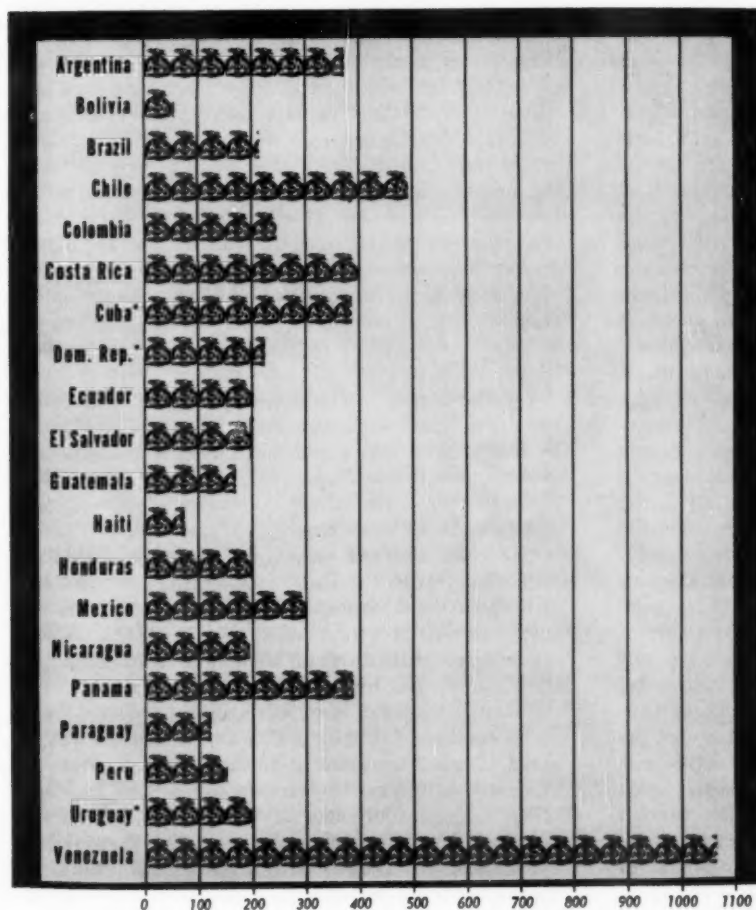
The contribution by foreign private capital, although substantial, has not been sufficient to meet the investment levels required to create job opportunities for such a rapidly expanding population. Moreover, this capital has sought principally two fields of action: extractive operations, especially oil production, and manufacturing.

There remain two broad fields of action that are not receiving the investment capital necessary: agriculture, which is crying out for mechanization, and public works

that are prerequisites to development. These works are known as social overhead, or economic infrastructure, in the language of economists, and include investments in means of communication and transportation, electric power, schools, hospitals, safe water supplies, and health facilities.

Similarly, the flow of foreign public capital, coming from international financing institutions, or from U.S. or European government agencies, has not been sufficient to meet the need. There is a limit to what international organizations can do in that respect, but this has not prevented the Latin American countries from insisting repeatedly on the need to increase the flow of investment capital, preferably public capital, because they very much need investments in social overhead projects which, in general, are not attractive to private capital.

At the Meeting of Ministers of Finance or Economy convened as the Fourth Extraordinary Meeting of the Inter-American Economic and Social Council of the OAS, which was held in Quitandinha, Brazil, in 1954, reference was made, with great emphasis and vigor, to the shortage of investment and the unsatisfactory distribution of the investment being made, as well as the need for foreign



PER CAPITA GROSS
NATIONAL PRODUCT IN
LATIN AMERICA, 1960

In U.S. Dollars,
based on 1959 prices

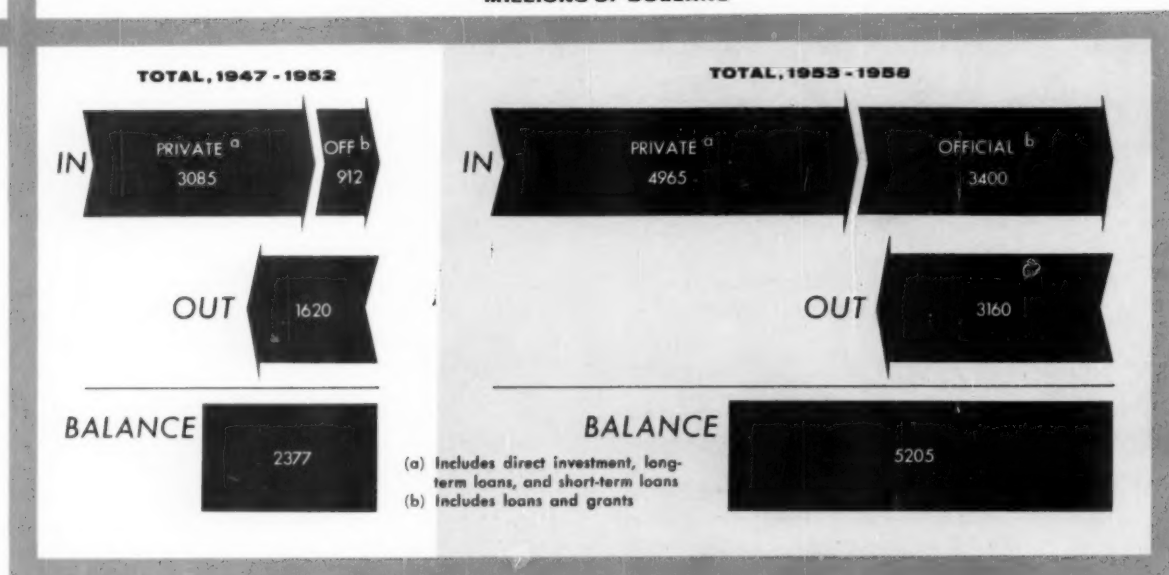
\$ = \$50

* 1959 figures for Cuba, Dominican Republic, and Uruguay

Source: Selected Annual Statistics, U.S. International Cooperation Administration, 1961

CAPITAL FLOW TO AND FROM LATIN AMERICA

MILLIONS OF DOLLARS



Source: *Foreign Private Investment in the Latin American Free Trade Area*, United Nations, 1961. p. 10

capital, in view of the incipient trend toward a drop in prices of export commodities. Also, for the first time at a conference of this kind, the need for an inter-American public investment program was pointed out and a goal was fixed: the investment rate should be about one billion dollars a year. It was hoped that foreign private investment would furnish between \$300,000,000 and \$350,000,000 a year, and the rest would come from the international credit institutions. These figures were based on economic development analyses and forecasts made by the United Nations Economic Commission for Latin America (ECLA). By means of this program, an effort was made to overcome the national and international obstacles to a greater flow of capital. Among the national obstacles were a lack of investment programs and well-prepared projects; inadequate administration of government enterprises; inflation in the absence of an adequate fiscal policy; and difficulties in meeting foreign payments. Among the international obstacles that were attributed to the policies of credit institutions were mentioned the limitations of loans to the importation of foreign equipment, without providing for loans to cover local expenses and maintenance; preference for investing in private enterprises; differences of opinion over the desirability of a certain project; reluctance to invest in certain types of public services; and the requirement for a governmental guarantee in loan operations. At the meeting in Quitandinha, however, the United States did not accept the idea of a program of massive foreign public investment to stimulate development. To meet the financing needs of private industry the International Finance Corporation was created, as an affiliate of the International Bank for Reconstruction and Development, with a capital of \$100,000,000, to make loans to private entrepreneurs

without governmental guarantee.

Efforts to obtain a greater flow of public investment capital did not stop there. At the Inter-American Committee of Presidential Representatives, in Washington in 1956, considerable emphasis was given to the idea, which had already been outlined, of creating a regional financing organization that would devote itself especially to financing the economic development of the Latin American countries. At that time, the United States argued that greater progress would be achieved by using existing organizations, rather than by endeavoring to set up new organizations. However, the Committee merely resolved to refer the problem to the Economic Conference at Buenos Aires in 1957.

The Conference at Buenos Aires adopted a resolution recommending that the IA-ECOSOC make a study of formulas and policies that would make possible the expansion of the economic financing of Latin America, and then call a meeting of a specialized committee of governmental representatives.

One year later, the Secretariat of the IA-ECOSOC produced this report, entitled *Financing of Economic Development in Latin America*. It revived the idea that had been outlined at Quitandinha, that is, that a regional organization with a capital of between two billion and three and one-half billion dollars was needed.

Shortly thereafter, the representative of the United States announced in the OAS that his government was prepared to participate in establishing an inter-American financial institution. To that end, a Special Commission of the Council of the OAS was set up. It began its work early in 1959 and ended with the signing of the agreement establishing the Inter-American Development Bank, on April 8, 1959, in Washington.

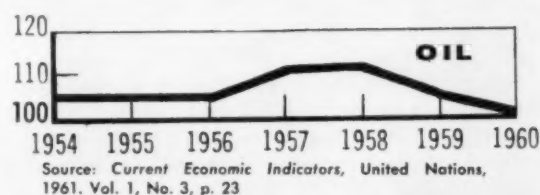
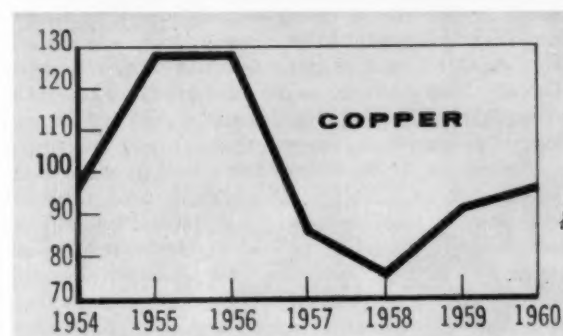
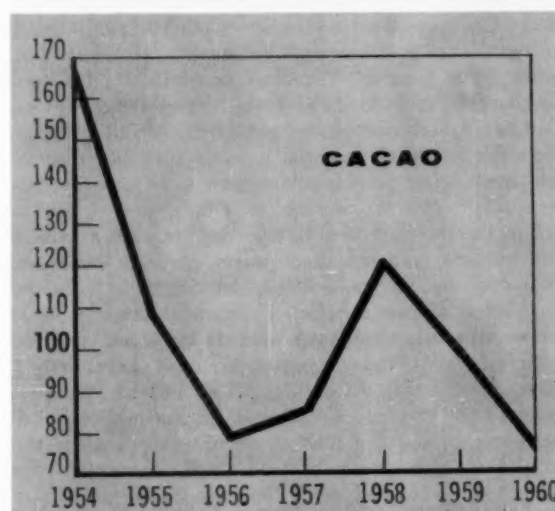
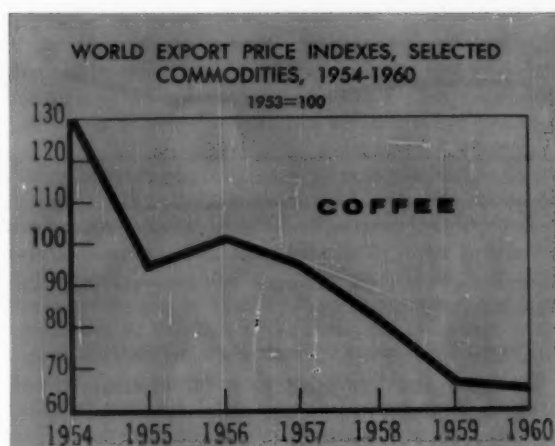
The new Bank had an authorized capital of one billion dollars contributed by the member states. The most interesting characteristic of this new institution is the existence of what have been called "two windows." At one, loans are negotiated just as in any other banking institution, payable in the currency in which they are granted; in this case, in dollars. This is what the economists call "hard" loans, because they are payable in "hard" currency, currency that is freely convertible. The Bank has a fund of \$850,000,000 for making this kind of loan. At the other window, "soft" loans are negotiated, payable in the currency of the borrower; they may be granted at very low rates of interest and on very long terms. This kind of loan is essential for the financing of highways, hospitals, schools, health facilities, and other projects that, because of their public character, present difficulties in obtaining financing and are not in general reproductive, in the sense that they do not pay for themselves, but constitute the essential prerequisite for other investments. The fund for this type of loan is about \$150,000,000. The credits may be granted either to governments or to private companies, and in the latter case, governmental guarantees are not necessary.

Backed by its callable capital, equivalent to \$400,000,000, the Bank can float bonds on the world market for the purpose of obtaining more funds for its operations. If it does, it must pay the rate of interest prevailing for that type of bonds, which is relatively high, and therefore it must charge a higher rate of interest on the loans it grants in order to cover the cost of the money and to form a reserve. After 1962 the Bank may, under certain circumstances, increase its callable capital to the equivalent of \$500,000,000.

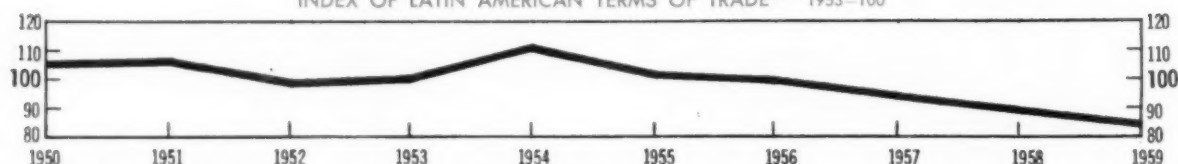
On December 30, 1959, the Agreement of Establishment entered into force, with all the members of the OAS members of the institution, except Cuba, which did not ratify the Agreement. The Bank held the first meeting of the Board of Governors in San Salvador, El Salvador, in February 1960, and the second meeting at Rio de Janeiro in April 1961. By July 25, 1961, the Bank had made hard loans totaling \$55,000,000, and soft loans totaling \$36,000,000.

In their efforts to achieve Central American regional integration, the countries concerned struggled to establish a financing institution of their own, and thus it was that on December 13, 1960, Guatemala, El Salvador, Honduras, and Nicaragua signed an Agreement establishing the Central American Bank for Economic Integration, with an initial authorized capital of \$16,000,000, of which each member state will subscribe \$4,000,000, payable in its respective national currency. With this capital, the Bank will give preference to projects to promote economic integration, and will turn its attention chiefly to sectors of infrastructure investment, and industries of a regional character.

The establishment of these two institutions did not, however, completely solve the problem of financing investments in Latin America, for experts have estimated that large-scale investments will be needed for a period of several years. The prospect of such a solution was not



INDEX OF LATIN AMERICAN TERMS OF TRADE* 1953=100



* Obtained by dividing export unit value indexes by corresponding import unit value indexes
Source: Yearbook of International Trade Statistics, United Nations, 1959. Vol. I, p. 29

forthcoming until the Alliance for Progress plan was presented in 1961.

2. Price Fluctuations of Basic Export Products

The Latin American countries are all exporters of raw materials. At times, they export semimanufactured articles on a small scale. Some of them export chiefly one or two basic products. Argentina exports principally corn and meat; Uruguay, wool and meat; Chile, copper; Brazil, coffee; Ecuador, bananas; Venezuela, oil; Colombia, coffee; the Central American countries, coffee and bananas; Bolivia, tin; and so on. From these exports, the Latin American countries obtain the foreign exchange necessary to finance essential imports, such as industrial equipment, spare parts for machinery, some raw materials essential to industry, certain foodstuffs, and drugs, as well as the exchange used to amortize the loans obtained. And so, any national development program based on estimated foreign exchange to be obtained from the exportation of raw materials is dependent on the prices for which raw materials are sold on the world markets.

Unfortunately, basic export products have certain characteristics that make their prices fluctuate, at times violently, in response to demand. In the case of foodstuffs, the principal characteristic of special importance from the long-range point of view is that the demand for such products is inflexible; as incomes increase, a smaller percentage of income is spent for food, so that even though the developed countries that import foodstuffs continue to progress and the per capita income increases, the demand for food products does not increase proportionately. Most minerals, on the other hand, are governed by an indirect demand; the demand depends on the industrial prosperity or depression prevailing in the developed countries. To the fluctuations caused by changes in the demand, we must add the steady drop in prices of basic products compared with the traditional tendency of manufactured articles to be sold at higher and higher prices. This relationship between raw products and manufactured articles is known as the terms of trade, and they have become increasingly unfavorable to the countries that produce raw materials. Another factor affecting the demand for raw materials is the increasing tendency of modern technological processes to use fewer raw materials.

In addition, there is the problem of quotas and customs duties applied by the industrialized countries to the basic export products of Latin America. Customs duties on coffee, for example, reduce considerably its consumption by the inhabitants of the Scandinavian countries, West

Germany, Belgium, and the Netherlands.

The United States has imposed import quotas on lead and zinc to protect national producers, and this has affected foreign exchange income in Peru, Mexico, and, to a lesser degree, Bolivia. It has also imposed import quotas on petroleum from Venezuela, and for many years there has been a virtually complete ban, for health reasons, on the importation of meat from Argentina.

A policy that deserves to be discussed under a separate heading, because of the effect it has had on certain Latin American exports, is the U. S. policy on the disposal of surplus agricultural commodities. The sale of these surpluses on world markets at lower prices than those at which they are sold on the United States market has resulted in a difficult competitive situation for the countries that depend on exporting the same products. The most typical cases are that of short-staple cotton produced by Brazil, Mexico, and Nicaragua, and that of wheat and corn produced by Argentina. In 1957, the Government of the United States sold 10,000,000 bales of this cotton, and then placed substantial amounts of wheat and corn, and smaller amounts of other surplus products, on the market. The Latin American countries that saw that they were being injured by this policy took their problems to the 1957 Economic Conference in Buenos Aires, which approved a recommendation that the marketing of surplus basic commodities be carried out in an orderly manner so as not to disrupt unduly demand and prices on the world markets and the flow of trade between the countries concerned.

In view of the protests by the Latin American countries and other countries outside the Hemisphere that were affected, the United States began to apply a system of consultation before carrying out the various transactions, which solved the problem partially. For example, with respect to sales of corn, constant consultation was held with Argentina to prevent the loss of her markets.

A resolution of the 1957 Economic Conference repeated the need to continue this kind of consultation; the period of uncertainty created by the policy of dumping surplus products seems almost ended. However, the problem is not solved. It will not be solved until the United States regulates its production and adopts farm policies that avoid the formation and chronic accumulation of surpluses. Therefore, at the Second Meeting of the Committee of Twenty-one, in Buenos Aires in 1959, it was recommended to the IA-ECOSOC that existing systems or policies on this matter be studied, and a report be submitted to the OAS on measures to prevent the unfavorable effects they may have on the production and trade of the

member states. At the same time, it was recommended that an immediate search be made for effective and practical means for solving these problems, both at the inter-American level and at the world level. The American republics were also asked to give their full attention to possibilities for expanding markets for basic products and for increasing potential demand for these products, even by investigating the possibility of markets for by-products and new types of finished products. In this connection, it was recommended that a market information service be created.

Moreover, it is not only in the United States that there occurs a surplus of food products over the requirements of an economically profitable demand, as a result of technological advances in agriculture. This also occurs in Latin America, and the most typical case is that of the surplus production of coffee, which is especially serious, since it affects the foreign exchange income of fourteen member states of the OAS. Further, the sale of that product brings a great deal—at times up to 80 per cent—of the foreign exchange income with which the Latin American producer countries make their purchases abroad.

Sales of surplus cotton, corn, wheat, and other agricultural products by the United States are not made chiefly for the purpose of obtaining foreign exchange. Under Public Law 480, such sales are payable in the currencies of the purchasing countries and a large part of the payment (up to 75 per cent) is lent to the purchasing government for economic development projects. Public Law 480 also permits the donation of such products to relieve hunger in countries that cannot even make payment in local currency. The latter type of disposal of agricultural surplus commodities does not actually affect Latin American producers directly, since the demand satisfied by such products is not an economic demand; even if the sale prices were reduced substantially, the people could not pay for the food.

The Latin American countries believe that it is necessary to set up suitable machinery to end, once and for all, the problem caused by excessive fluctuation in the prices for basic products. At the Third Meeting of the Committee of Twenty-one, held in Bogotá in 1960, a series of measures to this end were considered. These included proposals to perfect the consultation mechanism, eliminate the protectionist policies of the industrialized countries, give increased attention to efforts to stabilize the price of coffee, and invite the member countries to participate as producers and consumers in international commodity agreements.

The last two proposals were of special importance. The one referring to coffee encouraged the consumers and producers who were still not in the Coffee Study Group to join in a genuine agreement on this subject, since their absence prevented the existing agreement from being completely effective. The second referred to the more general topic of adopting a policy of commodity agreements as the pivotal part of the system of price stabilization for raw products. Neither recommendation received the unconditional support of the United States

delegation to the Bogotá Conference.

This I deduce from the general resolution finally adopted in Bogotá, in which no emphasis was placed on the signing of commodity agreements. This resolution, which was directed at both the consumer and producer countries of basic products, recommended that joint studies be made of problems relating to production, distribution, consumption, markets, and prices. In turn, the producer countries were asked to conclude temporary arrangements to limit their exports in order to prevent serious imbalances between supply and demand. Finally, the countries that are parties to short-term and long-term agreements to stabilize prices were asked to adopt measures to prevent noncompliance with the terms and conditions of the agreements.

The shift in the U. S. policy on participation in commodity agreements occurred, judging from the declarations of President Kennedy, as recently as 1961, with the Alliance for Progress.

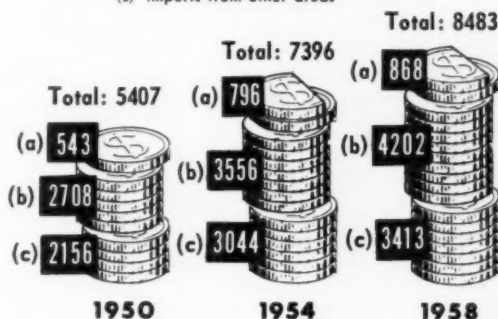
3. Regional Economic Integration

Because international trade plays such a decisive role in the economic development of Latin America, there is

VALUE OF LATIN AMERICAN IMPORTS BY ORIGIN

C.I.F. VALUE IN MILLIONS OF DOLLARS

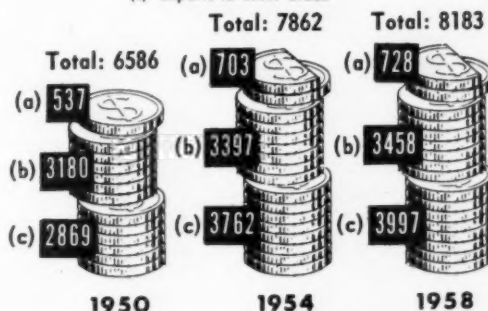
- (a) imports from Latin America
- (b) imports from the United States
- (c) imports from other areas



VALUE OF LATIN AMERICAN EXPORTS BY DESTINATION

F.O.B. VALUE IN MILLIONS OF DOLLARS

- (a) exports to Latin America
- (b) exports to the United States
- (c) exports to other areas



Source: Boletín Económico de la América Latina, UN Economic Commission for Latin America, November 1960. Vol. V, Suplemento Estadístico, p. 6

great interest in expanding it within Latin America as well as in the rest of the world. In addition to the promotion measures that can be accomplished independently, experience indicates that countries and geographical regions that have large internal consumer markets can establish industries whose unit costs are reduced by the magnitude of their operations.

The examples of the United States and the Soviet Union corroborate this. Similarly, the European movements toward economic integration that have resulted in the formation of the European Common Market and the European Free Trade Zone—although these were established more for political than for economic reasons—encouraged the Latin American countries to formulate their own programs of regional economic integration. ECLA made far-reaching efforts in this direction, first with the objective of forming a Central American Common Market, and later with a view to forming one that would embrace all of Latin America.

The efforts of ECLA in Central America crystallized in the Multilateral Treaty of Free Trade and Central American Economic Integration signed in Tegucigalpa on June 10, 1958, by Costa Rica, El Salvador, Honduras, Nicaragua, and Guatemala. This treaty contains an appendix listing duty-free merchandise. The pact was ratified by El Salvador, Guatemala, and Nicaragua on June 2, 1959, and went into effect for these countries. On the same date these three countries, and Honduras, ratified the Agreement on a System for Central American Integration of Industries, and a Central American Accord on Highway Travel.

The first step in uniting the five countries economically was taken September 1, 1959, when the Central American Agreement on the Equalization of Import Duties was signed by all five countries in San José, Costa Rica.

To place the Central American customs union in its proper perspective, one must refer to a series of statistics. The five countries together have a population of about eleven million inhabitants and an area of 173,000 square miles. The average per capita income is little more than \$200 per year, distributed very unequally. The population is primarily rural; two thirds make their living from farming. These countries are competitors in producing such export commodities as coffee and bananas; they depend on one or two products for the greater part of their income; and in some cases they receive 80 per cent of their foreign exchange income from the export of a single product. Commercial relations among these five countries are minimal, accounting for only 4 per cent of the total trade value, and are fraught with difficulties not only because of the similar nature of their products but also because of a lack of adequate transportation—both road and rail—although the Pan American Highway now provides a link among them.

The goal of Central American integration is to establish a customs union that will increase the growth rate and provide the prerequisites for development. National policies alone cannot do this because of the smallness of the internal markets.

The fate of Central American economic integration was

not yet decided when, on February 6, 1960, Guatemala, Honduras, and El Salvador signed a Treaty of Economic Association and on December 13 of the same year these three countries and Nicaragua signed the General Treaty of Central American Economic Integration, a Protocol on Equalization of Import Duties, and an agreement on the creation of the Central American Bank for Economic Integration, mentioned above.

The minor difficulties that exist in accomplishing the desired integration will surely be overcome in the near future.

The other integration movement that has taken place in Latin America is more recent. It began, as in Central America, with the efforts of ECLA to bring about the creation of a common market in which all the Latin American countries would participate.

These efforts received the support of those member states of the OAS who had brought to the Buenos Aires Economic Conference of 1957 their hopes for economic integration and who put great emphasis on this point in the meetings of the Committee of Twenty-one. In February 1960, the Treaty of Montevideo was signed creating the Latin American Free Trade Association. It comprises seven countries: Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. They represent a market of about 130,000,000 people, account for 80 per cent of the inter-Latin American commerce, and are countries with complementary economies. The Treaty did not create a common market in which the member states reduce tariffs among themselves and adopt a uniform tariff against the rest of the world, nor did it establish free circulation of capital and labor. It aims only at eliminating customs duties and other trade barriers among the participants within a period of twelve years. The elimination of duties, quotas, and trade prohibitions will take place gradually, 25 per cent every three years, and will affect durable goods first and consumer goods later. Trade involving agricultural products will be dealt with in separate negotiations. There are clauses giving special treatment to the less developed member countries; for example, Paraguay has received special treatment and Bolivia will also, if it decides to enter the free trade zone.

Efforts are currently being made to increase the number of participating countries and make the integration more effective. Colombia and Ecuador are studying the possibility of joining, and have sent observers to the first meeting of the new organization, which was held in Montevideo during August 1961. It is probable that the change in the United States' policy toward Latin America will be reflected in a more direct support of the efforts toward integration.

ACT OF BOGOTÁ: 1960

Operation Pan America, announced by the President of Brazil in May 1958, culminated at the Third Session of the Committee of Twenty-one in the signing of the

Act of Bogotá in 1960. The Act tries to expand the opportunities for social progress by promoting a social development program that emphasizes those measures that meet social needs, increase productivity, and strengthen economic development. A program of this nature requires the improvement of existing institutions and practices, particularly in the fields of taxation, the ownership and use of land, education and training, and health and housing.

The measures to be adopted, according to the needs of each country, within the Inter-American Program of Social Development established by the Act, include those for the improvement of conditions of rural living and land use: the examination of the existing legal and institutional systems with respect to land tenure, agricultural credit, and fiscal policies related to agriculture; and the initiation or acceleration of programs to modernize and improve the existing legal and institutional framework that relates to agriculture.

Other measures are to deal with the improvement of housing and community facilities; the improvement of educational systems and training facilities; and the improvement of public health.

In addition, there will be measures for the mobilization of domestic resources, based on the maximum creation of domestic savings and the improvement of fiscal and financial practices, the examination of the equity and effectiveness of existing tax schedules, assessment practices, and collection procedures, with a view to providing additional revenue for the work of the Program.

This final part of the Program has already begun to be implemented on the inter-American level; two conferences on taxation will be held so that the general outlines of action programs in the fields of tax administration and fiscal policy can be drawn. Both conferences will take place this year and it is hoped that, when their recommendations are put into effect, the tax burdens in Latin America will be distributed more justly. In addition, the improvement of tax administration will produce greater revenues for the governments to contribute to the financing of the Inter-American Program of Social Development. To obtain greater tax revenues is, however, a task that will take some time.

The Act of Bogotá includes appropriate mechanisms for beginning the rapid implementation of the Program, which is made possible by the Special Fund for Social Development, which will contribute capital resources and technical assistance on flexible terms and conditions to support the efforts of those Latin American countries that are prepared to initiate or expand effective institutional improvements. The United States contributed \$500,000,000 to the Fund, of which \$394,000,000 will be administered by the Inter-American Development Bank; \$100,000,000 will be used by the U.S. International Cooperation Administration (ICA); and \$6,000,000 will be transferred to the OAS to undertake studies.

With the objective of better cooperation and coordination of the activities that are contemplated by the Act of Bogotá—which are only the beginnings of larger programs—in December 1960 a Cooperative Committee was

formed by the three organizations that work with Latin American matters: the OAS, ECLA, and the Inter-American Bank.

The Act of Bogotá includes a chapter on economic development measures, which includes general declarations added to the original proposal of the United States at the request of the Brazilian and Argentine delegations. These emphasize the necessity for the Act's not being dedicated exclusively to the social aspects of development, and reiterate the need for additional financial assistance, both public and private, to insure uninterrupted and orderly economic development. A year later, these aspirations seem to be taking form.

ALLIANCE FOR PROGRESS

On March 13, 1961, the President of the United States presented the plan he called *Alianza para el Progreso* (Alliance for Progress). The United States will provide the funds for the plan, in the amount and kind needed to assure its success. In addition, the President announced his support of regional integration, which he considers a genuine step toward larger markets that have the possibility of greater scope.

Regarding the great price fluctuations of primary products, the President announced that the United States is ready to cooperate in serious studies, case by case, of the problems that cause these fluctuations, with the object of finding practical methods of ending these tendencies.

In the field of education and training, the Plan foresees the intensification of training programs, and the aiding of Latin American universities, institutes for higher education in specialized fields, and research institutions.

It also promises an expansion of the Food for Peace Program by channeling the surpluses into school lunches, livestock feed, and reserves for regions that suffer from periodic drought.

With the aim of avoiding the greater channeling of revenues of Latin American governments into military spending, the United States reaffirmed its decision to come to the defense of any country in this Hemisphere that sees its independence endangered, and the President reaffirmed his confidence in the collective security system of the OAS.

To discuss the measures necessary for implementing this plan, the President proposed a meeting of the IA-ECOSOC at the ministerial level, the preliminary preparation for which would be taken care of by a greatly strengthened IA-ECOSOC, in close cooperation with ECLA and the Inter-American Bank.

The Special Meeting of the IA-ECOSOC at the Ministerial Level, which was held at Punta del Este in August 1961, had three fundamental aims: (1) to encourage the countries of the Hemisphere to establish time limits for completing preliminary economic development plans and to begin long-range plans that would satisfy the development needs of the next decade; (2) to establish inter-American machinery for assisting participating countries in the

rapid formulation of realistic development plans; and (3) to establish a scheme for basic development goals, keeping in mind the objectives of the Act of Bogotá: education, land use and tenure, fiscal policy, public health, mobilization of resources, development of self-help housing programs, stabilization of commodity markets, and regional integration.

The background papers that were prepared for the meeting in Punta del Este were written by groups of experts, called together by the Secretary General of the OAS. These groups, which had the cooperation of ECLA and the Inter-American Bank as well as of specialized organizations of the OAS and the United Nations, presented reports on each of the points on the agenda approved by the Council of the OAS on May 29, 1961. The agenda included the following topics: (1) planning for economic and social development; (2) economic integration of Latin America; (3) market problems of basic commodities; (4) annual survey of problems and policies; and (5) information and public relations.

The Alliance for Progress is based on economic planning for Latin America; the adoption of the program requires the people of the region to establish a series of specific minimum goals to be achieved by 1970. This recommendation was made by the group of experts who prepared the document *Planning for Economic and Social Development for Latin America*. But the planning is not an end in itself, it is only a mechanism for attaining proposed goals. The group of experts fixed as the basic objective the attainment of a 5 per cent annual growth rate for the real gross product of each country, which, allowing for the annual population increase of 2.5 per cent, would represent an annual rise of about 2.5 per cent in per capita income.

To attain this objective, there must be a continual and appreciable increase in agricultural productivity, a reasonable price stability level, and a better distribution of income.

The planning agency of each country would be in charge of the administrative task of elaborating, revising periodically, executing, and evaluating the national development plan. On the inter-American level, the IA-ECOSOC would entrust the responsibility of evaluating and coordinating the plans to a Standing Committee on Development Plans, which would receive national plans, discuss and evaluate them, follow their development, and make an annual report to the IA-ECOSOC.

In order to work effectively during the transition period until long-range plans are made, the governments are urged to make short-range plans that later can be integrated into the long-range plans.

An indispensable addition to the development plans is the mobilization of internal resources. Toward this end it is imperative that each country improve the quality of its human resources, by raising the general levels of education and training; make special efforts to investigate and explore existing resources; modify traditional systems of land tenure and cultivation methods; and modernize tax laws and fiscal administration. Economic and social progress is incompatible with noncompliance

and evasion of taxes, loss of revenue, and unfair application of tax laws. Elimination of *minifundios* and *latifundios*, accompanied by irrigation projects, drainage works, road and warehouse construction, provision of credit, and establishment of cooperatives for the purchase and use of agricultural implements, fertilizer, and improved seed, are essential steps for improving land use and rural life in general.

The group of experts that worked on the document *Latin American Economic Integration* made recommendations concerning commercial policy, with the objectives of concluding agreements to hasten trade liberalization; coordinating national development plans in an effort to establish criteria for priorities for new investments and their location; making necessary adjustments in the plans; and finding external financing for economic integration in order to supplement national investments. Priority was to be given to infrastructure projects and to financing development of the relatively less-advanced countries, and purchase of capital goods produced in Latin America was to be promoted.

Finally, the report proposes a new activity, the promotion of investment, which would be carried out through an organization created for the purpose, or through existing Latin American organizations. The functions of the promotional agency would consist of making basic studies and drafting projects for infrastructure investments related to two or more countries; for new industries for supplying integrated markets; for the transformation of existing industries with a view to their expansion, modernization, or change of production structure; for the increase or diversification of agricultural production for supplying regional markets; for the utilization of natural resources from adjacent areas in two or more countries; and for the location in more than one country of the production of various elements of complex industries.

The problems of basic products are examined in the report entitled *Latin American Export Commodities, Market Problems*, which deals with the measures needed for expanding the market possibilities of basic products, recommending, among other things, that the member states of the OAS negotiate through the General Agreement on Tariffs and Trade and the European countries to bring about the gradual elimination of policies and practices that limit the importation of Latin American primary exports, such as excessive agricultural protection. To reduce periodic fluctuations in the commodity markets, the experts recommend the concluding of commodity agreements, the strengthening of existing agreements, especially the one for coffee, and the establishing of a system of automatic credits for the purpose of compensating for the effects of commodity price and market fluctuations in foreign exchange income. Toward the end of meeting any possible contingencies during the next five or ten years, the Report recommends the creation of a system that will have at its disposal about \$900,000,000 for offsetting fluctuations in export receipts of countries producing basic products. Countries would secure credits in a year of below-average receipts, and repay the credits

in a year of above-average receipts. The Report recommended that the IA-ECOSOC convene a group of governmental finance experts to formulate plans for the creation of the system.

The mobilization of public opinion in order to obtain the active participation not only of the political leaders but also of the peoples of the Hemisphere was studied by part of the group that worked on the report entitled *Public Opinion and the Development of Latin America*. They proposed, among other things, an Inter-American Conference on Information Media; an information program in the United States so that citizens will understand the true condition of Latin America; and the establishment of procedures for obtaining labor union support for the tasks of economic development.

In the document entitled *Annual Review of Inter-American Policies and Problems in the Economic and Social Fields* there is an analysis of inter-American administration that can lead to the implementation of the recommendations of the other reports.

In addition, the Conference in Punta del Este received a joint declaration from the Secretary General of the

OAS, the Under-Secretary of the UN in charge of ECLA, and the President of the Inter-American Development Bank in which they emphasized, superbly, the aspects of the reports that, in their judgment, should be given preferential attention by the delegates.

The creation of a Special Inter-American Fund for Universities, of \$75,000,000 a year for a period of ten years, was proposed by a group of experts in the *Report on Latin American Higher Education and Inter-American Cooperation*. The fund will be used for over-all educational planning, improving faculties, helping needy students, supporting scientific research, constructing classroom buildings, libraries, student facilities, and laboratories, and for making higher education more widely available to the great number of young people who are qualified for it and eager to receive it.

The preparations made for the Conference demonstrate the special interest and the careful analysis that was given, by some of the Hemisphere's most distinguished men, to the economic and social problems that burden Latin America and whose solution requires attacks on many fronts. ☛



Loans for purchase of foreign equipment must also cover local expenses and maintenance costs. Provision must be made for purchase of replacement parts that must also be imported

Fluctuations in the world market prices of basic products create serious problems in the economies of countries in the process of development. This question has been discussed for years, but only recently have partial measures been adopted and attention given to general solutions, such as those proposed by the Meeting in Punta del Este.

Dr. Antonio Carrillo Flores, distinguished Mexican economist, formerly Director of the government investment corporation Nacional Financiera and subsequently Secretary of the Treasury, is currently Ambassador to the United States. He also served as the Latin American member of the UN Committee of Experts that recently completed the study *International Compensation for Fluctuations in Commodity Trade*.

AMÉRICAS interviewed Dr. Carrillo Flores in his Washington office; his remarks are transcribed from a taped recording.



CARRILLO FLORES on export commodities

AMÉRICAS Reporter: Actually, Mr. Ambassador, these questions are not addressed to you as Ambassador, but as a member of the United Nations' study group on the prices of basic products. It seems that this group has finished its work. What are its conclusions?

Three Conclusions

Dr. Carrillo Flores: The conclusions are these: First, the most serious problem with which the developing countries are confronted is, undoubtedly, that the financing of their economic development programs comes principally from the income that is obtained from the distribution of their basic products in the international markets, and those revenues are subject to very great fluctuations. These fluctuations are of two kinds: those that economists call cyclical fluctuations, short-term ones consequent upon the highs and lows of the world economy; and structural changes that result from technological progress and that, at times, bring about the elimination of the use of some of our raw materials or that, without eliminating the use of our basic products, tend to lessen the demand for them. For example, coffee. Formerly, part of the coffee was lost because of the way it was prepared. Now, with soluble coffee and other methods, the same number of berries make more cups of coffee. Here the decreased demand for coffee is caused by technological progress. This is what the economists call a long-range structural change. The group arrived at the conclusion that it is very difficult to distinguish one kind of change from the other. The fact is that the fluctuations do take place. All statistics show that the problem is more serious in some countries than in others, but that it exists in all of them.

The second conclusion is this: The most important

thing is to try to avoid these fluctuations. It is better to prevent them than to correct them. The group made a series of very energetic recommendations for strengthening the machinery for consultation, the agreements covering commodities and, a very important thing, agreed to recommend that, as a principle of economic strategy, it must be recognized that the countries in the process of development should have a priority in the raw materials market. The reason for this is very simple. The industrialized countries are able to export capital goods, intermediate goods, manufactured products, and raw materials as well. On the other hand, countries on the way to development are able to export only basic products. So, we are going to give priority to those countries whose almost only possibility, or hope, of development lies in the exportation of raw materials. That is to say, other things being equal, leave the field to them; do not compete with them. This has very important practical consequences, because the General Agreement on Tariffs and Trade (GATT) states that a country has the right to recapture its traditional market, under certain conditions. For example, the United States said three years ago: Because our participation in the cotton market has diminished, relatively speaking, we are going to recapture the market by using a system of subsidies. This recapture meant dislodging the countries in the process of development which, through their own efforts, had already taken a place in the market. So the question is: Why should the United States recapture a raw materials market instead of trying to increase its exports or its international trade in what ought to be the highly industrialized countries' proper field of activity? It must compete with West Germany, with England, with France; but, why compete with those economically weaker? That is the problem.

Now, the third conclusion, very schematically: As long as the wrong thing can not be completely prevented from happening, we are going to give financial instruments to the countries so that they can defend themselves against, or compensate for, the loss of income through fluctuations in the prices of basic materials. As instruments of compensation, principally three have been considered.

First: More extensive action on the part of the International Monetary Fund, which for approximately two years has been becoming more flexible; it has more resources; it is a fact that the collaboration that it offers the countries is more effective each time.

Second: We are going to make the instruments of long-term financing more flexible, so that certain development programs that appear to be in danger when a nation loses part of its income are not halted, but instead a country with long-term credit can continue what formerly it did with its own income. A bad alternative, but less bad than the other, which would be to say: "Since we have lost income, the only solution is to curtail the development program." It is bad to continue through loans what was previously done with one's own resources, but it is even worse if one must suspend the development program for lack of resources.

And third: The group spent a great deal of time on the idea of some European economists who have talked of creating an insurance system, like any other insurance, through which a country that has lost a portion of its income receives compensation for part of the loss, which would be paid for on a quota basis by the highly industrialized countries as well as by the countries in the process of development. This would create a kind of mutual aid association, so to speak, in that all contribute certain quotas in order to develop a fund that would be used for the purpose of compensating for the loss of income through the fluctuations of the prices of basic products.

A Mutual Insurance

Reporter: That is, in a way, what the artisans of the past century called mutual aid societies.

Dr. Carrillo Flores: Exactly, to create a mutual aid society, to create insurance. The UN group proposes the creation of a fund that would be called the Insurance Development Fund (IDF). What has occurred to some of us Mexicans is that it would be appropriate to examine the question of whether this insurance system can be tried experimentally within the inter-American orbit.

Reporter: America is the only region in the world where there are organizations that can . . .

Dr. Carrillo Flores: Exactly. With the Inter-American Development Bank already in existence, we believe that we could avoid raising the question of a budget for creating a new agency, with a new bureaucracy, with all that complicates instead of facilitates international action. The Inter-American Bank is well set up, very well directed, and has a wonderful body of directors and an excellent president. Therefore, give the Bank the administration of the Fund, as a trust, in order to begin this

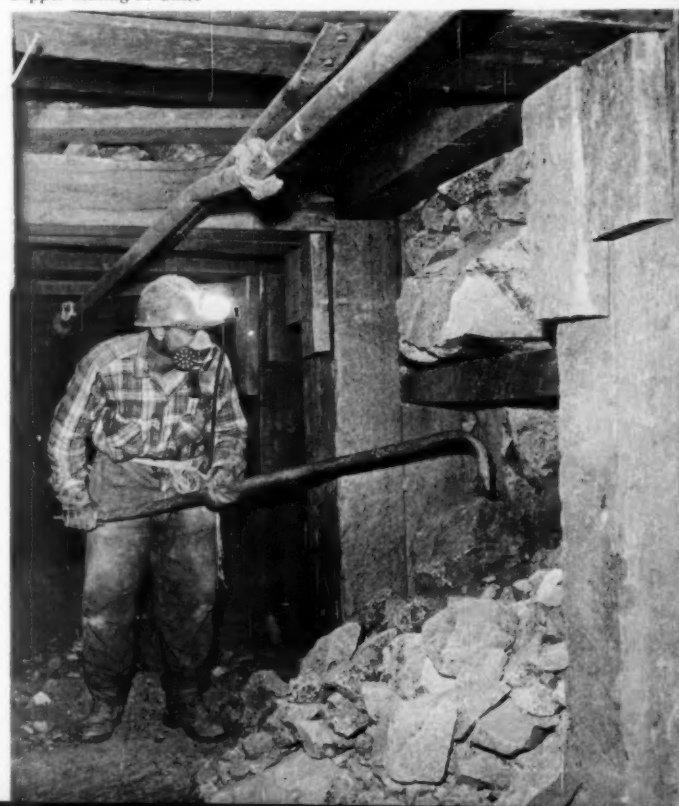
insurance system on an experimental basis. I have examined with much interest the joint declaration of President Kennedy and the Prime Minister of Canada; if, for example, Canada, which is part of our Hemisphere, politically and economically, were to be disposed to interest itself more in the affairs of our Hemisphere, it would be able to participate in the insurance. This is not a system, let us say, in which the poor country or the underdeveloped country gains more and only the rich pay, but one in which they both pay. That is to say, the country in the process of development also pays its own quota; in this sense it is a balanced system. Of course, it is of greater interest to the underdeveloped countries. That is, the short-range interest, the immediate interest—because in the long run the interest should be very great among the developed countries also, because what do we use our income for? For acquiring capital goods, and so our income creates the market for the highly industrialized countries.

A Mixed Solution

Reporter: We must then reach the conclusion that the UN group does not see the possibility of a solution to the problem of fluctuations in the prices of basic products. It sees palliatives, but does not see the possibility, at present, of avoiding these fluctuations.

Dr. Carrillo Flores: I would not be so pessimistic. There is no complete solution to this problem, because it is true that technological progress brings with it structural changes that necessarily affect the demand for basic products. Maybe the best solution would be a mixed solution, one that included various forms of international collaboration, through consultations, trade agreements,

Copper mining in Chile



long-term credits, insurance, and all those combined with two very important things: diversification of the economies of the underdeveloped countries, and progressive integration of the economies in the major areas. This would permit the correcting of the greatest difficulty, which is the weakness of internal markets. For this purpose the creation of the Free Trade Zone of Montevideo and the Inter-American Development Bank are undoubtedly the two most important events that have occurred in the orbit of Hemisphere economic collaboration in this century.

The Losses Suffered

Reporter: It has often been said that all the aid Latin America receives from other countries does not even suffice to compensate for the income lost through the drop in prices of raw materials.

Dr. Carrillo Flores: That is undoubtedly true. In the year 1958, the losses that the American countries suffered through the drop in the prices of their commodities and through the reduction in markets—the result of the 1957 recession—was something like two billion dollars. Now then, World Bank loans, during the years in which the Bank has acted with much energy and decision, have always been of hundreds of millions of dollars, seven hundred, I believe, in the highest years. Then, clearly, what countries lose in income is two or three times greater than the amount they receive as credit. Moreover, the President of the World Bank has said very clearly: "Loans are not a substitute for trade." They must seek, he said, imaginative, bold formulas for protecting the income of the countries in the process of development. Loans or aid are not a substitute for income that the countries receive from international trade.

Reporter: Do you believe that the success of the Alliance for Progress and of Operation Pan America depends in fact upon the measures taken concerning the fluctuations in the prices of raw materials?

Dr. Carrillo Flores: I believe that, if formulas are not found to stabilize income to a reasonable extent—as I

said before, a complete stabilization is not possible—it is very difficult to see how the programs of international economic cooperation can go far. Certainly that does not deny the value of those programs, but there is a conviction, which is becoming more widespread among the people of Latin America every day, that one of our supreme aspirations is the stabilization of our income from exports.

Evolution of the Concepts

Reporter: In the United States it seems that the points of view on this issue have evolved considerably. Do you believe that this evolution will continue until there is an acceptance of the point of view you expressed a moment ago, for example?

Dr. Carrillo Flores: Yes, I believe so. During the war, the United States accepted the fact that it was necessary to seek a certain equilibrium between the prices of manufactured products and raw materials. At the Conference of Chapultepec, in 1945, very clear resolutions in this sense were passed. The regressive trend was initiated by the Conference of Bogotá, in 1948. The government of the United States came to this conference with a firmly closed policy on basic products, Latin American economic integration, and the Inter-American Bank. The Secretary of State at that time told us: "We are reconstructing Europe and in the meantime you must have patience, because the reconstruction of Europe is of as much importance to you as it is to us." We asked the World Bank to recognize, as an irreversible historical fact, that certain fundamental raw materials, certain natural resources, would be government-exploited to an increasing degree in many Latin American countries, and to treat the state enterprises like any other enterprise, and make or withhold loans on the basis of the intrinsic merits of the projects, not whether they are public or private. The Bank did not listen to us then. Today, the Export-Import Bank is going to make loans to state enterprises. After ten or twelve years, those ideas for which so many people in Latin America have struggled are beginning to make headway, with the recognition of this "revolution of rising expectations" that there is on all sides. I feel great confidence that, with this new understanding, the instruments of international cooperation are going to be strengthened, refined, and made more effective all the time.

Reporter: One last question: What economic benefits can the industrialized countries gain from the stabilization of the prices of raw materials?

Dr. Carrillo Flores: Undoubtedly it would be correct to state that, just as we are interested in not having the prices of products drop abruptly, we also accept the desirability of their not rising sharply, because it is in our interest. We all know, for example, that a sharp rise in the prices of raw materials promotes increases in the volume of production exceeding the demand, which lead to one more regrettable drop in prices. Furthermore, irrational price rises engender the substitution of synthetic materials for the raw ones. This we have experienced enough. ☞



Sorting coffee by hand in Brazil



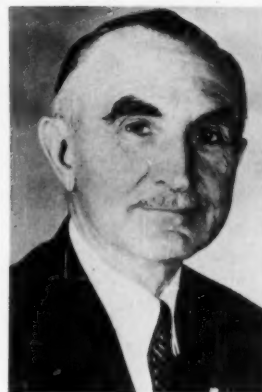
Athayde



Caldera



Facio



Morse

TODAY'S REVOLUTION

Much has been said about the revolution that Latin America is undergoing today. On this subject, AMÉRICAS asked four prominent individuals for their opinions on two questions.

The four were Austregésilo de Athayde, a Brazilian journalist who has twice been president of the Brazilian Academy of Letters; Rafael Caldera, founder and director of the Venezuelan Social Christian Party (COPEI) and President of the Venezuelan Senate; Gonzalo N. Facio, former ambassador of Costa Rica to the OAS and author of a study of Latin American militarism; and Wayne Morse, U.S. Senator (Democrat) from the State of Oregon, who heads the Latin American Affairs Subcommittee of the Senate Committee on Foreign Relations.

QUESTION ONE

What would you like Latin America to be in the future?

Dr. Athayde: The Latin American countries began to awaken to the implications of their independence after World War I, timidly at first, and more intensely and even violently after World War II. They have entered, or want to enter, the industrial age. Some countries, for example Brazil, have attained a considerable measure of industrialization.

The Latin American countries are striving for complete independence from colonial bonds, whatever their

nature. This can be seen going on in all the countries, large or small. This is the meaning of the struggle that finds expression, from the international point of view, in efforts toward solidarity that are becoming increasingly closely united and concrete.

Operation Pan America, launched by Brazilian President Juscelino Kubitschek and continued, under different labels, by President Jânio Quadros, is an example in point. In order to strengthen the unity of the Hemisphere, we feel that it is necessary to establish an effective system of economic cooperation among all the nations, including Canada—a system that will complement and give substance to the political cooperation established by the Treaty of Rio de Janeiro.

Speaking generally, I think that the future of Latin America will be determined by the present struggle for independence and social progress, for a way whereby the rich potential of all the countries can be exploited for the benefit of the people.

To achieve this, however, we are not willing to sacrifice our American democratic liberties: representative government, multiple party system, and other human rights, foremost of which is freedom of thought.

In the coming century this Continent can be a tremendous force for the well-being, security, and progress of all humanity.

Dr. Caldera: America has an inescapable obligation to offer man the guarantee of his rights. And these rights



Latin America's greatest . . .

must be removed from the level of abstract claims and be translated into tangible realities. We have been talking very emphatically, in literature and in speeches, about America being the continent of liberty, of hope, and of democracy. And so it ought to be. But the liberty, the democracy, and the hope of the American people must lead to something. And this "something" means the recognition of the right to live, the right to work, the right to the free expression of ideas, but it also means the right to food, the right to housing, the right to education, and the right to health. This demand is more imperative now, because the peoples have become aware of their birthright. This is a great gain but one which, at the same time, imposes a tremendous responsibility.

Doctors who have studied the problem of hunger say that a certain minimum of nourishment is necessary in order to feel hunger. There are children who do not have an appetite because they lack certain essential vitamins. Sometimes this is the case with outcasts, with those despised by the privileged classes. Formerly they did not have sufficient vitality to realize that they had inherent rights that had not been satisfied. This is not the present situation. Today in America, we have succeeded in awakening our conscience to those rights, and men and nations are resolved to claim them. And for this reason we who, in one way or another, claim to be responsible

leaders of our peoples are assigned a terrible, immediate, and urgent task, one that can be triumphantly accomplished only through the united efforts of all the American nations.

Dr. Facio: I believe that America, to fulfill its historic destiny, must build its future structure on firm democratic bases. Social advancement and economic development are necessary conditions for achieving real democracy in each of our countries, a democracy where the fundamental liberties of man can be fully enjoyed. This requires not only the constant maintenance of the legal institutions that guarantee the political liberty of the individual, but also a great effort toward an economic development that will permit an increase in the wealth in order that it may be more widely distributed. Economic progress and social justice must go hand in hand. And social justice, in order to be social justice and not merely social progress, must bear the stamp of liberty and respect for human dignity.

Senator Morse: Latin America ought to be a combination of free countries, based upon the democratic procedures of constitutional government. I think the greatest need in Latin America is a recognition of the rights of the people, and that means the rights of all the people. As you know, I'm very friendly to Latin America, and I am appreciative of the many problems that Latin America has. However, I cannot escape the fact that Latin America has never done for itself what it ought to do for itself, and what we have the right to expect it to do for itself. The governments of many Latin American countries have not taken those courses of action necessary to protect human rights in Latin America, and human rights are inseparable from economic privileges and opportunities and rights. Therefore, I'd like to outline very briefly a few reforms I think Latin America ought to adopt, if it is going to survive the great attack that it can expect to be made upon it through Communist infiltration in the years immediately ahead.

In my judgment, you are not going to stop the development of Communism in Latin America until you give the people proof that they have much more to gain from a free society. Under Communism, they become slaves of the state, they become pawns of the state, they can never be masters of the state. Now the essence of a free government is that great truism that under a free government the people are the masters of the government, and the government is the servant of the people.

In the whole field of social reform in Latin America, I think land reform is probably the first step that needs to be taken in order to give the people of Latin America freedom. I don't intend to mention any countries specifically in this connection, but in too many countries in Latin America, too many people are serfs of the soil. They have no economic freedom because they have no land freedom.

When I was in Colombia, I talked to the President of Colombia, and he put it very well when he pointed out to me that Communism is not an urban phenomenon in the first instance in any country. Communism is first a rural phenomenon. It starts in the rural areas where the

people are serfs to the soil, where they have nothing to lose by revolting against their governments for economic freedom. So, I would stress the fact that throughout Latin America the workers of the soil should be given an opportunity to own the very soil that they till.

I think the greatest guarantee of political and economic freedom in the United States is family-farm-ownership in the country, and home-ownership in the city. If we ever get to the point where people can't own their own homes, can't own their own farms, then, in my own judgment, the United States will be in danger of a new revolution.

This problem in Latin America must be solved by providing for land reform, and the United States must be willing to help, and as a United States Senator I will do everything I can to help raise the funds on a loan basis for a land reform program throughout Latin America. I want to stress that above all else. I happen to think that basic in President Kennedy's Alliance for Progress program is this matter of land reform.

The second thing I want to stress is that if there is going to be economic and political freedom in Latin America, there has to be a fair tax system. In many parts of Latin America there is not a fair tax system. People have to pay for freedom, and freedom is worth its price. A free society rests upon a fair tax structure, and a fair tax structure is based upon the ability of the citizen to pay his fair share of supporting his government. That's not recognized in many parts of Latin America, and therefore I would respectfully say that the Latin American governments have to take a long, hard look at their tax structures and reform their whole tax systems. That means, of course, a narrowing of the existing economic gap, the gap between the great masses of poverty-stricken people and the small numbers of very, very rich people. Let's be frank about it, those rich people have not been paying the taxes that they ought to pay. Legislation is needed in Latin America that will require the rich people to pay a fairer share of the tax load than they've been paying.

The rich people have also got to show that they've got confidence in Latin America. They've got to get their money out of New York and Swiss banks back into Latin America, and invest their money in the future of Latin America. If they are not willing to do that, then let me say again most respectfully that the leaders of Latin America have no right to expect the taxpayers of the United States to pay two tax burdens—namely, the tax burden in the United States and also part of the tax burden of Latin America. This is going to have to be, under the Alliance for Progress, a cooperative program in which the Latin Americans will help themselves as well as look to the United States to help them. These two things they can start doing right away: land reform and tax reform.

Third: Something must be done in Latin America about the educational program. The illiteracy in Latin America has got to stop. Oh, I know, reactionary forces like to keep people ignorant and illiterate. However, every boy and girl anywhere in Latin America ought to

have an opportunity to become literate, and ought to have an opportunity to develop his or her intellectual potential. I place the educational needs of Latin America in the third position by way of reforms in Latin America if Latin America is going to develop a system of freedom.

Fourth, we've got to do something about the health problem of Latin America. There is no excuse, in my judgment, for the longevity in many parts of Latin America to be less than fifty years, which it is now. Here again the United States should help, but also here again the Latin American countries are going to have to help themselves. Therefore, I'm calling now for a mutual aid program, and I'll do whatever I can to be of assistance in getting loans and funds to help with the whole problem of health control and improvement of health, which means in no small measure some improvements in the whole food supply for Latin America.

There are a good many other reforms. There is the matter of roads. What good does it do to have a farmer

... resource is its people



gain control of the land that he tills, if he doesn't have any way of getting the products of that farm to market? Therefore, I think road building in Latin America is much more important than military aid, for example. I'm one of the opponents of increases in military aid, but I'm a strong supporter of increases in economic aid to Latin America, and I'd like to see a road building program.

Next, I would like to see a rapid development of the electric power resources of Latin America. Any country is going to be stifled in its development if it doesn't have energy—electric energy. There are great potential power resources in Latin America. I'm for building those facilities necessary to provide a good supply of electric power, so factories can be built that will create jobs and so, for example, the whole electric light system of Latin America can be developed. That will make refrigeration widely available, and it will make available so many of the advantages of so-called modern living. I also want to see the development of natural resources. And I want to see diversification in Latin America, because I think Latin America should become an exporting area of the world, not an importing area of the world. If the power resources and the agricultural resources are developed, and if roads are built, there can be greater diversification. That's going to help their neighbors as well as the countries themselves.

These are some of the things that I think Latin America can start with in order really to prove that it wants this

to be a Hemisphere of free countries, and not a Hemisphere of totalitarian countries.

QUESTION TWO

How would you describe the revolution now occurring in Latin America?

Dr. Athayde: There is a revolution going on in Latin America right now, one that began in the first two decades of this century and will continue until it has achieved the results that I outlined briefly in my answer to the first question. It is a consequence of democracy itself, of its evolution toward the modern forms of its fullest expression.

With the distinctive characteristics of our temperaments, our histories, economic possibilities, ethnic and social compositions and so on, each country proceeds at its own rate, within a framework of healthy, constructive nationalism, toward the great political, social, and economic reforms our times demand.

It is neither a Communist revolution nor a Fascist one; it is not of the right nor of the left; it is a revolution linked to the logic of our own development, one that affirms all aspects of national independence, while retaining the basic aspirations of liberty, in the political sense, assured in the American constitutions.

The full realization of political, economic, and social democracy, based on the elimination of all vestiges of

Latin America's greatest . . .



colonialism, of whatever type; this, it seems to me, is the revolutionary content of Latin American life today. It is a peaceful and highly constructive revolution, which follows the co-ordinates drawn by our forebears; it is the final and most noble product of our own democratic development.

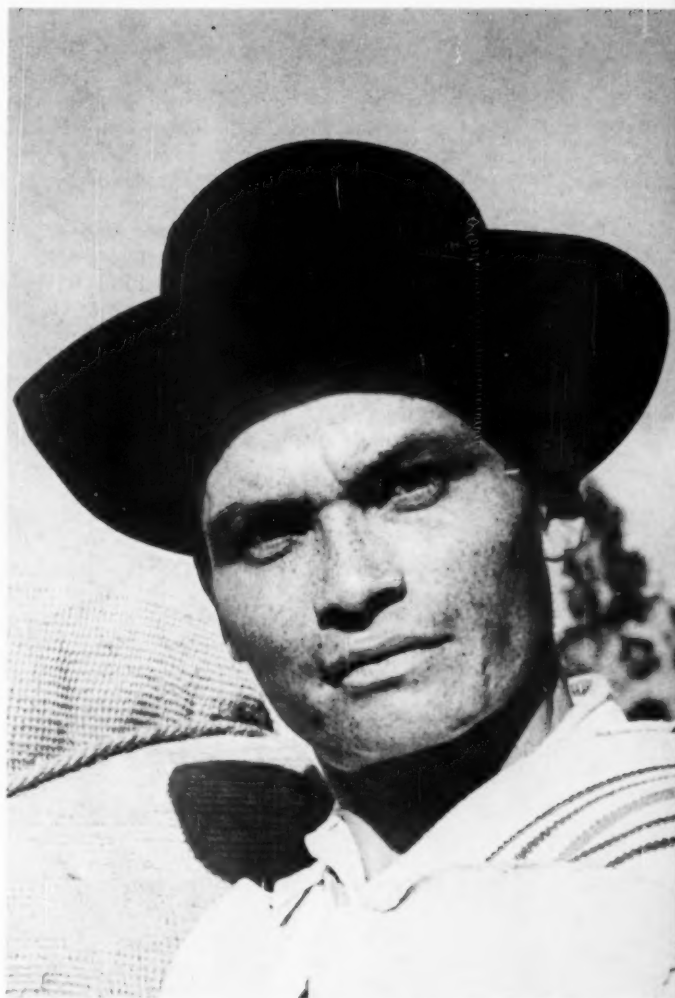
Dr. Caldera: The word "revolution" implies a rapid and profound change in the organization and the way of life of the peoples. Some people consider the term revolution inseparable from the idea of the overthrow of governments by force, or bloodshed on the battlefields of civil war. This is not the meaning that the great majority of Latin Americans give the word revolution. We believe a profound change is necessary and cannot be postponed—a total change with a new dynamic. We cannot wait for an evolutionary transformation, which has a certain amount of impetus but is, after all, slow. We must change the tempo, just as the peoples' way of life has changed giddily.

Will this revolution be nationalistic? Capitalistic? Socialistic?

It will be a nationalistic revolution insofar as the people are becoming more conscious of their sovereignty all the time. This must be exercised not only in the political field but in the economic field, but not in the sense of disowning the bonds of Hemisphere solidarity which are now greater and more intense than ever. The earth has been made smaller, the interdependence is greater all the time, and it would be a blind anachronism to pretend to isolate into separate self-sufficient units the distinct nationalities that have a common obligation, a common function.

It will be an anti-capitalistic revolution, a revolution against the abuses of a capitalism that already is disappearing everywhere and which some seek to export when it is no longer fully in force among their own people. There are, at times, different criteria for judging things that occur on one side of the Rio Grande or the other, or on one side or the other of the Atlantic. In the United States the steel industry, which is the basic industry, can be stopped for months by a strike without disturbing the political and social structure. But sometimes the same people who accept this event as a disagreeable phenomenon, but natural to the democratic way of life, become alarmed and say that Communism is going to triumph in our countries, if a group of workers goes on strike peacefully for a few weeks to obtain certain redresses. We do not believe that Latin America should continue with this old type of capital, capital whose only objective is quick and easy profits or which seeks to subordinate national interests and international relations to its own gains. But of course, modern, progressive capital, which is capable of admitting and understanding the rights of the nations and of the workers, is not only acceptable but is desirable for this Latin American revolution.

Socialism is also a word that is used in many senses and for diverse concepts, ranging from the atheistic and totalitarian socialism of the Soviet Communists to the idealistic and tolerant socialism of the British laborites.



... resource is its people

If it means stressing social interest above individual selfishness, undoubtedly the Latin American revolution will have certain socialistic connotations. But it will be a socialism that will not trample on the idealistic elements, the fundamental values of our civilization, and that must seek solidarity and understanding instead of hatred and destruction. I will simply say that the Latin American revolution is a painstaking search, on the part of our countries, for the destiny that has been ours from birth and that we have for so long betrayed. It is our own revolution, with a specific purpose—to get rid of many injustices and to open the way for man to attain the well-being and the guarantees to which he is entitled, through justice and liberty.

Dr. Facio: There is a phrase in English that I think defines very well the revolution that Latin America is now living: "the revolution of rising expectations." This is precisely the kind of revolution Latin America is experiencing. To the heritage of liberty and anti-colonialism

that the founders of our independence left to us, the message of technology has now been added—a message that says very clearly that poverty, misery, and ignorance are not the necessary way of life. Scientific discoveries and progress in production methods give an absolute guarantee that it is possible to live more decently. And the peoples of Latin America, who for years patiently suffered their poverty as if it were the destiny determined for them by God, realize today that a better life is within their grasp. They are prepared to struggle for a better life. And they are prepared to fight for a better life, and to demand that their leaders fight for a better life for them. This is precisely the revolution in Latin America—the revolution of refusing to accept the poverty, the ignorance, and the sickness to which the great majority of our people is subjected. And this is the revolution to which our urgent problems—problems each day more serious—have brought us. It places on all of us who believe in democracy the obligation of satisfying those aspirations within the framework of free institutions. If we do not find the formula for rapidly resolving the problems of social injustice that have brought about our economic stagnation, our peoples will look in other directions. They will follow the mirage of the totalitarian promise that demands the renunciation of the liberty that they have never really enjoyed to the full, in exchange for the hope of material gains.

Senator Morse: The kind of revolution that Latin America is headed for, it seems to me, is entirely up to the Latin Americans to determine. People have so many

Latin America's greatest resource is its people



different ideas about the meaning of revolution, and what I say may be misunderstood. What I want to say is that I think the kind of revolution that Latin America has is the business of Latin America. Now I'm not one of those people who feel that Latin America must model itself after the United States. I happen not to believe in the nationalization of industries. I believe in the right, for example, of private enterprise to develop our resources for the benefit of our country, subject, of course, at all times to reasonable government regulation. Take, for example, our transportation system in the United States: railroads, trucks, and airlines. These operate on a private ownership basis, but they are regulated by governmental commissions that protect the public interest. They don't have the right to charge any rate they want. They don't have the right to go wherever they want. Now that is part and parcel of a private enterprise system. Take, for example, the matter of power. We have a federal power commission that regulates electric power and natural gas rates. That is part of the private enterprise system. They are monopolies, and we have the right to regulate them because they are monopolies. We say that they are vested with the public interest, that is, they have a private ownership, carrying with it certain rights, but they also have such a public interest involved in the services they render that under our constitution, as the Supreme Court has held over and over again, the government has the power to regulate them in the public interest.

In my opinion, that is a very fine economic system for the United States. I don't take the position, however, that Latin America has to follow the same pattern. I'm not one who takes the position that Brazil, for example, or Mexico, shouldn't have a perfect right to have a government monopoly of the whole oil industry. That's their business, and I think it was quite wrong for the United States to take the position, as it did until two months ago, that it would not loan any money to Brazil or to Mexico for the development of nationally owned oil industries in those two countries. This applies also to electric power. In some places in Latin America it is a government monopoly, and it is the government's right to run it that way. All I want to be sure of is that it is a matter of free choice, that it is done by democratic processes. If it is, then my government and my country have no right, in my judgment, to seek to dictate the economic system for any Latin American country, because that is economic intervention, and economic intervention can be just as bad as military intervention. As you know, I'm completely opposed to any United States military intervention in Latin America.

So I think that the kind of revolution you are undoubtedly going to have, and I think if I were a Latin American I would undoubtedly advocate it, would be a revolution that strikes a sort of a middle ground between the private enterprise system that we have in the United States and a completely socialistic society. I think that in Latin America you are going to have a combination of private enterprise and state socialism. If that is the decision that is made in Latin America, I think the United States should support it. ☛



Two Labor Leaders Speak:

the Role of Unions

1. PEDRO B. PÉREZ SALINAS

THE LEADERS of most of the responsible trade union organizations in Latin America are abandoning their isolationist stand and gradually recognizing the need for a greater unity among the American republics. For example, one of the resolutions approved by the Third National Workers Congress held in Venezuela, in 1960, urged that the negative concept of island-countries be replaced by that of hemisphere-countries, for the insight shared by the workers and leaders who have a sound doctrinary background has made them readily understand the value of dynamic solidarity among our people at every level in achieving our common goals.

There are, of course, certain clear-cut ideological groups who find it more to their interest to import shopworn designs and patterns, but this is not the general rule in Latin America. That is done by minority groups whose advantage over their democratic fellows lies in their inexorable application of a precisely synchronized line of international action. The diversity of concept and interpretation among the democratic groups, which often leads to dispersion and frustration, indicates the need

for some kind of democratic "international" based on solid doctrine; so far this has been impossible to achieve, for reasons we shall examine further on.

However, despite the similarity of the problems confronting our nations, ("the Latin American problem" is often used as a generic term), the truth is that any solution must be considered in the light of certain very special conditions at every level in each country. Agrarian reform cannot be carried out at the same rate and under identical conditions in all our nations because there are a great many factors that require varying treatment. Even soil composition plays an important role. While Cuban land is fertile, flat, and homogeneous, Venezuela's terrain is mountainous and badly eroded, with zones of fertile lands and others of "tired" soils. The traditional Cuban crops of sugar cane and tobacco are so well developed that the only change required has been the modernization of farming methods for these two commodities. On the other hand, Venezuela's former farming and stock-raising structure was radically changed by the introduction and expansion of petroleum development based on foreign capital



The face of a brand new landowner

with all that this implies; today that country needs to develop its farming again from the very beginning, as though it had never even existed.

However, it is easier to destroy the molds of anachronistic large landholdings and semi-feudalism in Venezuela than in those other countries of our Hemisphere where political power is based upon land ownership. At the present time some large Venezuelan landowners are vitally interested in selling their lands to our democratic state, and the constitutional government is empowered by existing legislation to take measures that include even expropriation. Consequently, all that is needed is a clear vision of the true aspirations of the rural masses and a certain amount of daring.

Agrarian reform is an impelling necessity in many Latin American countries. The labor movement is aware of this fact and has, to this end, allied itself fully with the *campesinos*. In Venezuela, for example, the most outstanding leaders of these strongly organized rural groups are workers previously employed in the petroleum, textile, graphic arts, and construction industries. They are currently playing a historic role in their task of serving the farm workers.

These leaders have a well-defined approach to agrarian matters, which is set forth in statements approved by representative trade union conventions. The conventions consider the question of inter-American trade union cooperation in the tasks that must be accomplished in order to carry out agrarian reform in various countries of the Hemisphere, because such reform is needed for industrial development as well as for rural social improvement that will free the *campesino* from crushing exploitation. Furthermore, it is unanimously agreed that in all the variations on this theme the predominant melody might be said to be agrarian reform, including technological improvement, land redistribution, and mechanization; in short, an agrarian reform that would shatter the established patterns of large landholdings and free the rural workers from their serfdom in the last remaining outposts of feudalism.

This serfdom, far from being an exaggeration, is a fact recognized in many of our countries by all those who are acquainted with rural conditions. It is a situation that calls for radical change, because it is also one of the causes of underdevelopment. For this reason, the platforms of trade union action in this part of the world invariably contain guide lines for the struggle against these semi-feudal vestiges that block the path of all progressive endeavor. This is why we trade unionists have maintained, over the course of many years, a tacit "alliance for progress" that is now being translated from mere statements into a dynamic solidarity to promote all possible development in Latin America. Nevertheless, there are still many misguided individuals who criticize this attitude severely, particularly what they consider to be "excessive political overtones" in the trade union movement in Venezuela, Peru, Chile, and other countries.

Reasons for Political Orientation

Clearly, the strongest trade union centers and the most responsible unions of workers and *campesinos* in Latin America accept the thesis of Hemisphere integration and solidarity. But we frequently ask ourselves how this goal can be achieved peacefully as long as certain political barriers still exist. Logically, therefore, if we are to destroy these political barriers, we must play an active part in politics. This argument is strongly supported by specific experiences in Venezuela and Peru.

Intellectuals who have specialized in the labor field, as well as our trade union colleagues in the United States and Canada, have criticized such political orientation. Yet this is simply a logical defense against the continual emergence of regimes of violence in many of our countries; such regimes have a common source, underdevelopment and political ignorance. A number of coups of this sort have been attempted in Venezuela since the overthrow of the last dictatorship. The trade union movement of workers and *campesinos* has been the strongest bulwark against these attempts to restore a regime of oppression. In my country, fortunately, autocrats have never been able to govern in peace, for they have consistently been opposed by the dogged resistance of public opinion, reinforced, since 1936, by the democratic trade union movement.

The year 1936 marked a momentous turning point in Venezuela's history; strong new economic forces could be recognized. The social structure of the country had been growing more complex. The first wave of a new but forceful proletariat, already cognizant of its potential strength, had been forming in the handful of manufacturing companies organized after the discovery of petroleum and, above all, in the petroleum fields themselves.



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The traditional agricultural and stock-raising sectors had been joined by a new group opposed to the time-hallowed standards of production. These were the businessmen interested in creating a national industry. The relatively well-educated middle classes were demanding a new standard of living for the nation. To all these dynamic nuclei of Venezuelan society, fresh ideological orientation was brought by that group of men who had matured and acquired modern concepts during their years of imprisonment and exile.

We have undergone a series of alternating phases of light and darkness and, recently, a terrible and dramatic episode. Yet, there is and always has been one positive factor in the struggle against those elements that have hindered the development and stabilization of democratic institutions in our country, a factor that ensures greater progress and greater conquests: our collective desire for a life of freedom and human dignity. This commits us to a permanent state of alert on all levels of national life. It also explains the constant struggle that characterizes the political position of the Venezuelan trade union movement, a struggle to protect our nation against the proponents of barbarity and oppression whose stealthy footfalls constantly echo close at hand. We also need allies in this struggle, not only in the trade union field, but in every field that can contribute to realizing the Latin American masses' common ideal of progress and prosperity, an ideal that encompasses, as well, the hope of attaining one single harmonious voice in the universal concert of nations.

Unifying Factors

The trend toward unifying the workers and the peoples of Latin America is not a new concept; it is the result of an ancient dream. As early as the end of the eighteenth century, the Venezuelan Francisco de Miranda, romantic *condottiero* in the cause of freedom and independence,

dreamed of a Latin America united under the flag of Colombia and governed by a parliament presided over by "two Incas." Today the dilemma of freedom or dictatorship, of democracy or oppression, is still unresolved.

We are bound by ties of language, religion, customs, and race. These ties have remained relatively unaffected since colonial times and undoubtedly formed the basis for Miranda's ideas of unification and his dreams of integration. Today they serve as a backdrop to important new unifying forces. Political and economic independence, democratic economic development, sovereignty and self-government, these are matters that cannot be divorced from the common problem. They require collective efforts in which the organized labor movement cannot fail to accept its proper leading role as the organized vanguard of the democratic revolution.

The democratic labor movement has already sponsored negotiations and joint endeavors in the efforts of many of our Latin American countries to defend the prices of their raw materials. Within the economic concept of modern patriotism, the petroleum of Venezuela; the wool of Uruguay; the tin of Bolivia; the sugar of Cuba; the lead, zinc, and silver of Mexico and Peru; the bananas and coffee of Central America; and the cacao, the lumber, and the strategic ores all make evident our common interest in the battle against underdevelopment.

The Labor Movement and Economic Development

The labor movement is giving serious study to the social aspects of Latin American economic development and the causes of stagnation. Some of these problems are:

(a) *Rapid demographic growth*: Latin America has the highest rate of demographic growth in the world. This leads to problems of housing, subsistence, education, employment, health, and others equally difficult.

(b) *High percentage of school-aged population*: In Latin America, children under fifteen years of age account

Executive committee of Venezuelan Farmers' Federation discusses agrarian reform



for 40 per cent of the population. In Venezuela, where the percentage is currently more than 45 per cent, this represents a heavy burden for the active population. For this reason, one of the goals of the Venezuelan Confederation of Workers is to secure free, compulsory education on all levels and to this end it is providing its full cooperation.

(c) *Extremely low educational level:* In Latin America, illiterates over fifteen years of age make up approximately 40 per cent of the population; the average educational level of this group is estimated to be less than one year of approved schooling. Venezuela is making great progress in education, and without fanfare. The government is successfully implementing a broad intensive literacy program with the cooperation of labor and *campesino* organizations in the provinces, particularly in the rural areas. But we need even more schools and many more teachers, especially with the current increase in technical schools and certain trades institutes.

(d) *Limited economic development:* This negative aspect of Latin American economy is, simultaneously, the cause and effect of the stagnation factors described above. According to the definition proposed by Pauvert, "underdevelopment may be described as the juxtaposition of a state of stagnation and a state of backwardness." And Antonio Stempel Paris, a Venezuelan who has collaborated with UNESCO and who deals brilliantly with the subject, says: "Expansion is characterized by the false and imperfect incorporation within our environment of achievements and advances that have evolved in a more progressive and harmonious manner in the more developed countries."

Foreign capital investment in Latin America is not concerned with "harmonious progress," but seeks only maximum profits, to put it bluntly. For example, certain capital that maltreats the U.S. workers in their own country, where it is national capital, in our countries comes to maltreat the Latin American workers under the more aggressive guise of imperialistic capital. Its *modus operandi* is also a factor in stagnation, to a certain extent, for we are all well aware of its implications and influence.

Nevertheless, we do not oppose foreign capital investment in our countries. We do, however, insist that it operate on a basis of fair distribution, for foreign political and economic intervention is no longer tolerable to our peoples, aware as they are of the value of their potential wealth and zealous as they are to defend their national sovereignty. They well know that such intervention, which has become clearly apparent in various stages of the current process, especially in Venezuela, distorts their goals and their very destiny. From our independent viewpoint, the statement and defense of this position does not imply the waging of violent, demagogic campaigns against foreign investment capital; neither do we indiscriminately accuse the nations that have the greatest weight in Hemisphere policies of being responsible for all evils assailing Venezuela; nor do we adopt an irresponsible attitude of defiance toward those same nations.

In Venezuela, as in all the other countries where pro-

duction is retarded, foreign investment capital can perform an important economic development function when the supervision and nationalistic zeal of responsible governments controls and limits its activities to lawful business with a reasonable margin of profit, and does not allow such capital to become a destructive undertaking despoiling natural wealth and exploiting human labor.

The Venezuelan workers, concerned with the economic development of Venezuela and of Latin America, are cooperating actively in their own way. From their social benefits fund, the petroleum workers plan to invest fifty million bolivars (nearly eleven million dollars at the free rate) in stocks of the new Venezuelan Petroleum Corporation, which has recently drilled its first oil well, with an estimated daily production of three thousand barrels, and has already begun the drilling of its second well in an initial eighteen-well program. Ownership of the Tacaraguaha Sugar Mill was transferred to the workers and *campesinos*, who have begun to manage the entire process, under government supervision, from cultivation to sugar refining; high production levels have already been achieved. With their accumulated benefits, the workers of the Divo Furniture Factory have bought the company to operate as the Industrial Furniture Cooperative; manufacturing quality is good and reasonable prices have found widespread acceptance on the market. We hope to introduce worker-management of municipal transportation in the Federal District and the State of Miranda, and we also plan to develop producers' and consumers' cooperatives. The workers and *campesinos*, who are represented in the management of independent state institutes by labor supervisors who act as the spearheads of this peaceful revolution, are demonstrating that they can administer and plan efficiently. It is only a matter of striking out boldly.

Problems of Democracy and Development

The Venezuelan trade union movement has consistently maintained that national economic development should be planned by government agencies; this is, in effect, being done, despite a wave of criticism from certain vested interests. But our insistence upon this point is far from the mere whim of a deluded sector; it is the result of our awareness that planning implies the orientation and consolidation of private and public economic activity within long-term programs based on sound technical research and implemented through democratic rather than totalitarian methods. We believe that the Venezuelan Government, because of its financial potential and the special characteristics of economic evolution in our country, should be the chief promoter and financial backer of production activities. These activities, however, would be channeled and controlled in order to avoid anarchical procedures and the ultimate creation of a dominant business oligarchy divorced from the nation's interests whose pockets would be swollen with riches at the expense of the consumer and the worker.

The industrialization process must be realigned in accordance with the modern concepts of political economy



Young faces predominate at meetings of Latin American labor unions

and guided by the principle of social justice that holds that the workers, the employee and the *campesino*, have a justified right to suitable participation in the profits of their employers. This undertaking requires the protection and the incentive that can only be furnished by a complex of governmental measures. But industrialization, whether in Venezuela or in Latin America as a whole, cannot be thought of exclusively as urban manufacturing activities, but must be applied to rural areas as well. The mechanization of agriculture and stock raising will transform currently retarded or underdeveloped economic activities into stable, permanent sources of wealth and general well-being.

Democracy also constitutes a development problem, as well as an educational problem that cannot be ignored. Without democracy, effective progress is impossible; in Latin America, the need for a democratic revolution is plain. However, revolution does not necessarily involve a storm of violence and civil war. Revolution implies simply a change in the political, economic, and social structure of a country, when that structure no longer responds to the community's demands for progress and may even be preventing true fulfillment as a nation.

Direct, universal, and secret suffrage is a vital instrument enabling those communities that have advanced beyond political primitivism to solve the problem of divergent popular trends. This system permits a revolutionary party and a democratic trade union movement to carry out their program without allowing violence to take its ugly toll in street battles and civil strife. However, the enormous economic differences that separate social classes in our modern society have often prevented this evolutionary ideal from achieving practical application; consequently, revolutionary thought has taken on an aspect of insurrection. This is another Latin American problem closely related to matters of development.

We must travel an arduous road of experiment and trial and error if we are to progress in politics or, indeed, in any other field. Certain social groups interested in the preservation of secular privileges view with alarm a future in which the education and progress of the masses

would enable them to demand their rights. The condition in which the Indian masses of Latin America have been forced to live over a period of centuries is a dramatic example of this situation. Fortunately, though, the contemporary political conscience, aided by modern communication and educational facilities, is gradually undermining this conspiracy to erect or maintain walls of ignorance around our people.

Building a New Life

Democracy, which Lincoln so wisely interpreted as government *of the people, by the people, and for the people*, is the basis for further conquests, and constitutes one of the goals of the organized labor movement because it is our surest guarantee of survival. Are not economic development and dynamic democracy closely interwoven? Therefore, it is not surprising that the trade union movement speaks a new language, nor should it be surprising that the most powerful philosophical trends at work in the labor movement are undergoing radical changes, for these changes are deeply rooted in centuries of underdevelopment and intensive exploitation. Our philosophy is discovering its true course, now that its proper objectives have been set.

You need not ask the workers how they can contribute to economic and social development, because their task has already been assigned; instead, you should invite them to cooperate in this undertaking boldly and unreservedly. Nor do you need to ask them whether they choose democracy as the means to further progress; instead, you should simply take care that they are not shut off from such development, as they have been in the past, by vested interests at home and abroad.

The building of a new life for the peoples of Latin America, and the consolidation and expansion of democracy, constitute the irrefutable bases of economic and social development. This is a task for all, a purpose for all, a decision for all, as we workers fully realize. We believe that inter-Americanism must leave behind the grandiloquent statements and prove itself with actions that will sweep away all vestiges of mistrust and deception. ☞



2. VICTOR G. REUTHER

TO THE LABOR MOVEMENT, farm organizations, cooperatives, professional groups, the democratic institutions representing the workers, the peasants, and the intellectuals of the Hemisphere the President of the United States, on March 13, 1961, offered a dramatic and historic challenge to work a social transformation.

Ten years, ten points—this was the way the headlines described President Kennedy's proposal of a Hemisphere-wide Alliance for Progress.

This, Senator Mike Mansfield said, was "the first word on the opening of a new decade which may well see this still-new world of the Americas carried to great heights of achievement in a rebirth of profound and intimate Hemispheric cooperation."

Many spokesmen for the Latin American countries have characterized the relations between the United States and Latin America as a dialogue between Caliban and Ariel, a conversation between the materialist society of the north and the idealist community of the south.

Whatever validity this subjective apprehension of the American situation may have, however, there can be no question now that if there ever was such a dialogue Caliban has listened to Ariel sympathetically and responded creatively. In this proposal to "satisfy the basic needs of the American people for homes, work and land, health, and schools—*techo, trabajo y tierra, salud y*

escuela"—the American government has made an appeal for democratic reconstruction to the four hundred million people of this Hemisphere that has a potential for revolutionary change as great as the Declaration of Independence, the Communist Manifesto, or, in a more specific context, the Mexican Constitution of 1917. President Kennedy's statement echoes the aspirations of social justice of Juárez, Toussaint L'Ouverture, and Martí. In this, the revolutionary objectives, which are to be the culmination of a ten-year struggle, are totally different from the national independence for which Bolívar, San Martín, and O'Higgins took up arms.

Similarly, as a statement of Hemisphere policy, the Kennedy proposal conceives of relations and activities based on a sophisticated understanding of the social order that is profoundly different from the recognition of national sovereignty Roosevelt expressed when he declared: "I would dedicate this nation to the policy of the good neighbor—the neighbor who resolutely respects



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himself and, because he does so, respects the rights of others." Using the same measure, it is evident President Kennedy invokes a revolutionary sentiment and a force that are in another political and social dimension from the generous fervor, even, of Harry Truman's Point Four Program, which was set forth in these words: "Fourth, we must embark on a bold, new program for making the benefits of our scientific advances and industrial progress available for the improvement of and growth of underdeveloped areas; . . . in cooperation with other nations, we should foster capital investment in areas needing development. . . . Our aim should be to help the free people of the world, through their own efforts, to produce more food, more clothing, more materials, more housing, and more mechanical power to lighten their burdens. . . . It must be a worldwide effort for achievement of peace, plenty, and freedom."

Unquestionably, the enunciation of the Point Four principle was a historic expression of a social ideal. In this, it was not unlike other memorable statements of human goals, say, the United Nations Declaration of Human Rights, or, for that matter, much of the unenforced social legislation in Latin American countries, or the guarantees of equal rights in the Constitution of the United States.

No less idealistic than these documents, the Alliance for Progress has the further qualities of a grimy, sweaty reality and a comprehension of the mechanics of social change.

Taking advantage of the resources of twentieth century communications, the Kennedy announcement of the Alliance for Progress, which was presented to a gathering of Latin American diplomats in Washington, was obviously aimed past the assembled ambassadors and ministers, to reach the ears of the hungry tin miners of Bolivia, the mothers and fathers of the children dying from nutritional deficiencies in a dozen Latin American countries, slum dwellers in Rio and Caracas and Mexico City, the *inquilinos* of Chile and, by extension and example, it was intended also for the Puerto Ricans trapped in the misery of New York's slums, and the Freedom Riders serving their sentences in the Jackson, Mississippi, jail.

The workers, the peasants, and the intellectuals—or, in President Kennedy's words, the *campesino* in the fields, the *obrero* in the cities, and the *estudiante* in the schools—are told, in a deft recapture of the revolutionary goals of democracy, that political freedom must be accompanied by social change. Unless necessary social reforms, including land and tax reforms, are freely made, he declares, our revolution and our dream will fail.

"Mr. Kennedy," says the *London Economist*, "has struck to the heart of Latin America's troubles. But two questions are still to be answered. Is the United States administration prepared to accept the consequences of its advice if the consequences extend to, say, expropriating certain American properties? Second, have the Latin American governments any intention of responding seriously? Or do they hope to bluff their way through?"

What the *Economist* presents as a harsh dilemma is in fact, however, a misunderstanding of the basic assump-

tion of the Alliance for Progress, not only as it applies in Latin America, but in its manifestations on the scene in the United States itself. Social change is the product both of proclamations and of picket lines. Legislative acts become official when a wax seal is affixed to parchment, but they become realities only through organizational struggles. Eight years of cruel war followed the Declaration of Independence. Now, in a move that lifts the U.S. revolutionary tradition out of history books and reinstates its premises as a national policy, unprecedented resources in money, in food, in technicians, have been pledged to the Alliance for Progress. In effect, the signal has been given for the struggle for social reform to begin, or rather, the word has been passed for the ancient struggle to be resumed, but at last with resources greater than have ever been available before to the leaders of a revolutionary movement.

There can be no misunderstanding of the fundamental intention of the Alliance for Progress. No informed person in the United States, or in the Hemisphere, can fail to perceive that this effort depends for success on the trade unions of the Hemisphere, the cooperatives, the democratic political movements, farm organizations, peasant groups, students, and intellectuals.

Certainly, throughout the Americas there is recognition by the leaders of the democratic labor movement that a vital factor in the success or failure of the Alliance for Progress will be the effectiveness of the unions in each country.

Immediately after President Kennedy was inaugurated, during a period when there was intense Washington preoccupation with development, an economist working in the field wrote a memorandum satirizing all bold new programs. According to this document, "The Republic of Faroffistan has recently inaugurated a bold new program to assist the overdeveloped areas of the world. These nations," the statement declared, "are suffering from too



Housewife

much food, too many cocktails, and overdoses of rock and roll. In many countries the animated singing TV commercial marks the final stage of overdevelopment."

The first Faroffistan project was a technical mission to the United States. In Faroffistan, the mission reported, many things were carried on people's heads. The people of the United States did not seem to be using their heads at all. Accused of being soft on capitalism, the Faroffistan delegation re-affirmed its belief that the Faroffistan way of life was best and that its members would always oppose the way other people do things.

In this exercise, wit is the truth sharpened to a cutting edge. In the springtime of the Marshall Plan, many aid agency officials and advisers naïvely considered it their mission to remake the institutions of nations receiving U.S. aid into carbon copies of what were called American free enterprises. The predictable failure of this effort, which did not prevent the Marshall Plan aid from contributing substantially to the reconstruction of the European economy, stimulated a shower of criticism both abroad and in the United States. European intellectuals railed against the attempt to "coca-colize" their countries. Within the United States, polemics, of which *The Ugly American* was the most widely circulated example, spoke of waste, ingratitude, incompetence, and suggested that economic aid was less important than a world-wide army of ingenious Yankees teaching people out in the Asian and African bush to use brooms and to raise chickens in the good old common-sense U.S.A. tradition. Trade unionists, as well as politicians and businessmen, succumbed to the Americanization delusion, with its implications that all problems had been solved in the stretch of countryside between New York and San Francisco, and that what was wrong with the people of the world was that they did not speak English with an American accent and they didn't do things the way they do them in Buffalo, New York, or in Sioux City, Iowa.

What is notable about the Alliance for Progress is that in this program the United States is not a Big Brother, but a partner, that it recognizes there are social needs north of the Rio Grande as well as south of the U.S. border. Thus, cultural self-determination receives an emphasis equal to political self-determination, and the hope is that enrichment from the common effort will

move north as well as south.

Specifically, for the American labor movement, which has accepted the challenge posed by the Alliance for Progress, this means that there is now an understanding that unions, like other social institutions, take a form that is determined by the history and culture of the national community. Difference does not indicate inferiority, but instead, is a response to another set of problems. Proceeding from this recognition has come an awareness that the traditional concept of trade union solidarity is the equivalent in the labor movement of a Hemisphere Alliance for Solidarity in governmental relations, and that the common interests can be served, not with the U.S. unions acting as mentors, but rather as equals within the world-wide fraternity of free labor unions.

Actually, the rich experience of the international labor movement, and the persistent growth and effectiveness of the international trade secretariats, through two wars, over more than a half century, afford thousands of examples of successful cooperation on equal terms, which have engaged the labor movements in countries of every stage of development, on every continent.

From this perception it becomes clear that the union involvement in the Alliance for Progress should result in the strengthening and deepening of ties that already exist, for the purpose, now, however, of attacking broadly and imaginatively on a Hemisphere-wide scale, the ancient enemies with which unions have traditionally contended—hunger, insecurity, ill health, and poverty.

Since 1951, the all-inclusive organization of free unions in the Hemisphere has been ORIT (Organización Regional Interamericana de Trabajadores), the International Confederation of Free Trade Unions (ICFTU) area activity that corresponds to similar groupings in Europe, Asia, and Africa. With affiliates whose membership totals approximately 25,000,000 wage-earners, ORIT, despite serious mistakes, as in the failure to dissociate itself from the Batista-corrupted unions in Cuba, has been an effective agency for inter-union cooperation in the Hemisphere. With its support, a program for land reform based on a union effort is now being developed. ORIT correspondence schools for union leaders have made it possible to provide education in areas that otherwise have no facilities for basic orientation in administrative policies. Inter-American seminars and institutes have served as normal schools that have trained teachers to return to their own communities to establish schools. Through ORIT there is, in effect, a Hemisphere-wide pooling of resources, technical skills, and public opinion that can be drawn upon to meet specific needs. In some strikes, in the unequal struggles between small national unions and the powerful international corporations, this cooperation has been the difference between survival and extinction for workers' democratic institutions. In many instances ORIT has been the only support for a democratic trade union alternative to tyrants and dictatorships in the face of unrelenting efforts to stamp out all opposition.

Over a decade ORIT has also pioneered in the establish-



Fisherman

ment of cooperative working alliances between unions in the United States and Mexico to deal with specific problems. The United States-Mexico Trade Union Committee, which was established in 1953, has operated effectively to establish minimum wages, working conditions, and standards of health and decency for Mexican migratory farm workers employed in the United States. From this effort has come the basic official contract that regulates the employment of *braceros* in the United States today.

Similarly, ORIT-sponsored agreements make it possible for cement workers, government employees, and construction workers in Mexico and the United States to cooperate continuously in the solution of common economic problems. Especially significant for the future are the ORIT seminars and congresses at which union leaders from the Hemisphere draw not only upon their own common store of experiences, but also upon the technical skills and specialized knowledge of experts from international agencies, governments, and universities, for new formulations and programs over the range of problems the Alliance for Progress hopes to solve—wages, hours, working conditions, land reform, social security, health, investment, and civil and political rights. The catalogue of activities, however, is less important than the simple fact that ORIT, in which a preponderance of the free union federations in the Hemisphere participate on equal terms, furnishes an obvious demonstration of the viability of a people's alliance for social progress that can move forward against the opposition of entrenched interests and, when necessary, even against unsympathetic governments.

This observation is, of course, a complete refutation of the frequent assertion that the hope for social reform in a developing country through an aid program, however generous its social motivations, must inevitably be frustrated if there is official disapproval or there is resistance by an established society with an important stake in maintaining things as they are.

Another organizational tie—more direct and immediate than ORIT—connects the wage-earners of America even more intimately. The International Trade Secretariats (ITS) comprehend the workers in a particular trade or industry in federations of free unions throughout the world. The ICFTU and its regional organizations are federations of national federations that necessarily work through administrative centers which, for obvious structural reasons, are rarely in direct daily contact with wage-earners. The Trade Secretariats, however, make it possible for seamen or railroad workers, or postal workers, or government workers, or metalworkers, or agricultural workers in one country to join hands almost literally in common cause.

Thus, in a development whose tempo has quickened particularly within the last five years, postal, telephone, and telegraph workers have combined throughout the Hemisphere to found training institutes, seminars in the organization of credit unions, and working conferences on the development of housing cooperatives in Ecuador, Colombia, Peru, Brazil, Argentina, and the United States.

Trade union development aid through the petroleum



Tin miner

workers' ITS has established mature and effective standards of collective bargaining, with consequent substantial improvements in the standards of work and life for the people in this industry in Venezuela, Dutch Guiana, and the Caribbean area. Effective unions, the product of international wage-earner cooperation, now undertake continuous education programs throughout the oil-producing areas of the Hemisphere.

Metalworkers, through the International Metalworkers Federation, have enabled U.S. and Venezuelan steelworkers, and U.S. and British West Indian aluminum workers to coordinate bargaining efforts and to write contracts that have substantially narrowed the gap in wages between North and South America.

U.S. and Mexican auto workers, again through the Metalworkers Federation, exchange union technicians, and now are exploring together sources for funds to provide low-cost housing for their members.

Metalworkers unions of the Americas, under the colors of the Federation today, also conduct engineering seminars to study collective bargaining technical problems in detail. Contracts are circulated among the metal unions for comparison. Journalists working through a Hemisphere-wide organization, which includes the American Newspaper Guild, compare notes at America-wide discussions on a range of subjects from working conditions to ethical problems.

Specialized training institutes concentrate on union administrative and financial problems with simultaneous representation from a dozen countries.

Packinghouse workers consider the impact of automation on their jobs and lay plans for government and cooperative enterprises in their industries.

The collaboration is producing trade union glossaries and working handbooks in Spanish, Portuguese, and English.

Through the regional organization of the Transport Workers Federation, financial and technical assistance has been made available to the Argentine railroad work-

ers in crucial strike struggles.

Successes already won, perspectives that have only recently been revealed, now are leading to a multiplication of this cooperation at an accelerating rate.

For the most part founded on the voluntary cooperation and the freely given devotion of rank-and-file leaders, whose participation in these international programs is almost the first public activity of these men and women who, until now, have lived confined within the drudgery of their employment, these activities give the democratic impulse thousands of new roots in the American community. From them will be drawn the invigorating commitments that will make possible the transformation of the American society.

Until now, what has been achieved is only the smallest indication of what is possible.

The task ahead is a staggering one.

Within thirty years, it is thought, Latin America's population of 200,000,000 will double. Yet the present tax structures, the present concentration of fertile lands in the hands of a few people who fail to use them productively, the high incidence of malnutrition and illiteracy, testify to a failure to meet even the most basic needs of today's population.

Poverty and insecurity are reinforced by the dependence of most Latin American countries on a single major product, because the fluctuations of the world commodity markets conceivably could more than offset the advantage for a year of a total aid program.

Yet, as every intelligent observer emphasizes, "Latin America" is a falsifying abstraction. Actually, there are twenty separate nations, each unique, unlike each other in as many senses as the European communities—countries on the high plateau, people living in fertile river valleys, Indian nations and European nations.

Organization of union members in Argentina and Mexico has recruited a greater proportion of the labor force than in the United States, while in some countries unions barely exist. Mexico's Article 123 in the National Constitution has been described as a contribution to the legal guarantees of workers parallel to the French Revo-

lution's Rights of Man. More countries of Latin America than is recognized in the United States already have an immediate political potential for effective democracy, if only a suitable economic framework could be erected.

The diversity of people and problems, of culture, of climate, of economies, and of occupations and laws, it should be noted, is the most powerful operating fact for the strategic role of trade unions, of cooperatives, and other autonomous democratic institutions, if the Alliance for Progress is not to founder.

No one grand plan, however splendid its rhetorical vista, can serve the needs of all the people of the Hemisphere.

What is required is a device to enlist the intelligence, the determination, and the resources of the people in each country, one that assembles the combined support of every national community in planning and putting into effect specific projects aimed at exactly charted goals.

Using this operating principle, democratic institutions representing wage-earners, farmers, professional persons, and intellectuals, by cooperative action, pooling resources of personnel, of information, of influence, of money, of credit, can evaluate national development programs. They can make recommendations of their own. Organized, they can monitor social and economic undertakings from day to day. On their own initiative they can institute resettlement projects of their own. They can tap welfare and pension funds for self-organized housing projects and credit union banks. When the need arises for specific skills, they can recruit technicians, or within their own structure organize schools to train leaders, or strike out against illiteracy, or cultivate vocational instruction.

By calling on the rich reserve of human resources in the Americas, through lines of communication only possible in a Hemisphere network of cooperating organizations, an overwhelming attack on slums, on hunger, on usury, on underproduction and unemployment, on illiteracy and disease, becomes possible.

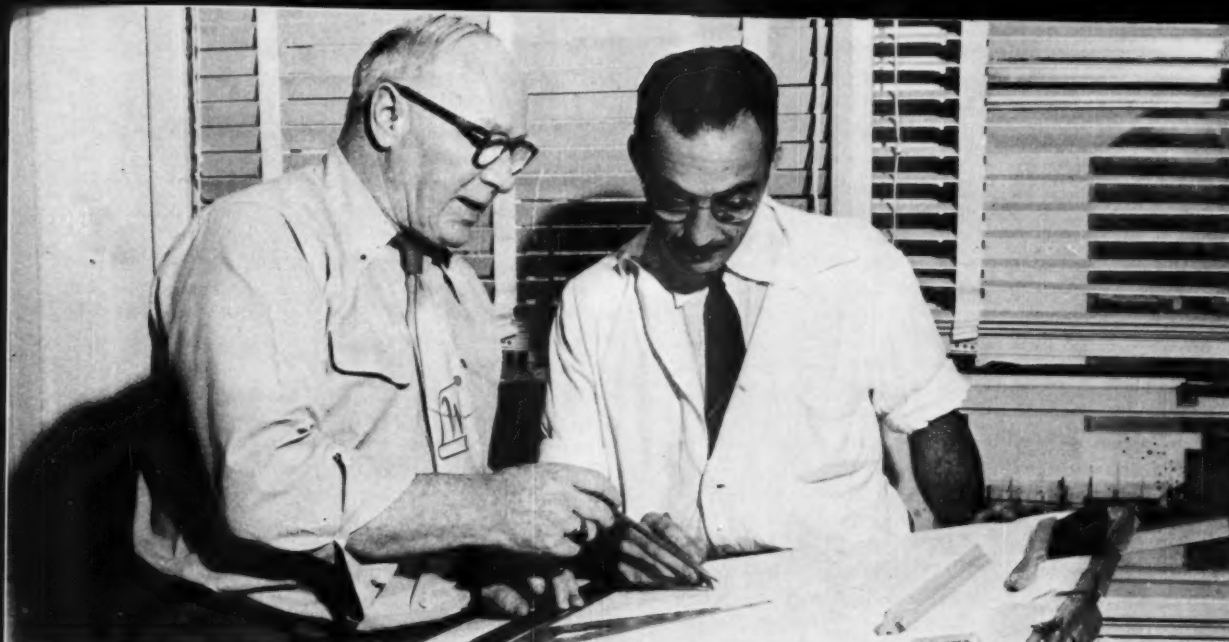
Nor are the possibilities for significant achievement limited only to Latin America. The example of slum clearance in Caracas will generate forces that will move faster in Harlem. The need for stable commodity prices to support the economies of Brazil and Bolivia will underpin the effort of the labor movement in the United States to plan for full employment and production at home, if only to secure the success of the total plan in the Hemisphere. The insistence on democratic rights in Cuba must inevitably echo in Mississippi.

"Let me stress," President Kennedy declared in his broad view of the Hemisphere's problems, "that only the most determined efforts of the American nations themselves can bring success to this effort. They, and they alone, can mobilize their resources—enlist the energies of their people—and modify their social patterns so that all, and not just a privileged few, share in the fruits of growth."

This, of course, is a restatement of the historic union objective. Within the Americas there can be no question but that the labor movement will accept this challenge to work for the realization of social justice and freedom. ☛

Latin America's greatest resource is its people





Drafting plan for a school improvement

Two Industrialists Speak:

the Role of Business

1. THOMAS D. CABOT

THE FACTS OF LIFE in Latin America today provide a rich diet for the prophets of gloom. Poverty and illiteracy hold well over half of its 200,000,000 people in their grip. And political unrest boils close to the surface nearly everywhere.

But today's tragic facts do not point inexorably to catastrophe. A new approach to Latin America's problems is taking hold steadily throughout the entire Hemisphere. And this new approach can provide for Latin America the revolutionary change it has so often sought but so seldom achieved.

As is often the case, the heart of this revolution is a simple idea. It is to concentrate, urgently and continuously, on developing Latin America's richest resource—its people. For this is exactly what is meant by the emphasis on social development expressed in the Act of Bogotá, President Kennedy's proposal of an Alliance for Progress, and the program of the Punta del Este Conference.

The immediate responsibility facing leaders in both the South and the North is to put the idea into action. In my view, this means launching attacks on three major fronts at once, and moving ahead on all three of them

with dogged determination. They are, in truth, one battle line in the struggle for a better life for all of Latin America's people. Interrelated and essential to progress are these three objectives:

First: Educational systems that will eradicate illiteracy and unleash the tremendous potential for constructive effort that lies within the people of Latin America.

Second: Tax systems that will draw equitably from all the taxpayers the revenues needed to finance the programs of development.

Third: Land tenure policies and aids to farmers that will give those who work the land the opportunity to improve their living standards and to increase over-all agricultural productivity.

Plans for dealing with these three problems must be an integral part of any Latin American country's program for economic development. Without them, funds for development might better be withheld. Otherwise, the funds are likely to be worse than wasted; in arousing hopes that are doomed to frustration, they aggravate the very tensions they are supposed to alleviate.

The recognition now being given to these three aspects of social and economic development is the most hopeful

occurrence in decades. It is vitally important that this recognition be spread and translated into action, both in the United States and in Latin America.

My recent experience in directing a study of United States foreign economic policy toward Latin America for the Committee for Economic Development gives me a solid basis for asserting that much of the business leadership in the United States agrees on the outstanding importance of these objectives. Indeed, many leading businessmen share my view that development assistance funds from the United States are apt to be spent futilely unless these objectives are kept in the forefront.

In thinking about development assistance for Latin America, up until recently, many leaders in public and private life in the United States have been misled by past successes in our foreign economic policy. We have been interested, deeply interested, in promoting economic development in Latin America. But we have tended to act on the experience gained in connection with the European Recovery Program. And many of our Latin American friends have told us that the highly successful experience in Europe could be repeated if only we would appropriate similarly huge amounts of money.

In both cases, the fact that the European experience was based upon reconstructing what had been there before but was destroyed by war was overlooked. The social, economic, and political structure was still there. A well-educated and highly trained population was in existence. The human resources for effective use of the funds were already developed. The social, economic, and political mechanisms to insure a wide sharing of the benefits were established.

Unfortunately for the sake of rapid progress in less developed areas of the world, the existence of these human resources was taken for granted. Their role as an essential prerequisite to development was not recognized. Policy planners and program planners failed to give conscious attention to such requirements for development as a political system hospitable to change within a framework of national stability; increased social justice; im-

proved living standards; expansion of knowledge, understanding, and skills. In short, the political and social conditions that determine the real meaning of economic progress have been neglected.

Happily, this situation is changing fast.

My statement is based not alone on formal declarations of governments, such as those in the Act of Bogotá. Influential citizens and private groups throughout the Hemisphere are facing with increasing realism the nature of the task ahead. The average Marxist probably would not believe his own eyes if he read what the businessmen who make up the Committee for Economic Development declared in their recent policy statement.

"Economic and social progress in many countries of Latin America," they asserted, "will require radical, indeed revolutionary, changes of some of the institutions that now exist there."

The most drastic raising of sights and reshaping of institutions probably is called for in relation to education. In acting upon the three priorities I have stated, I should hope that education would, in effect, become the "first among equals." The monumental size of the task that needs to be done underscores this need.

About 20,000,000 school-aged children in Latin America have yet to begin any education at all. Unless somewhere between 400,000 and 500,000 primary teachers, and corresponding school space, can be found in the next few years, these children will have passed beyond the age where education is likely to reach them.

Time is not on our side in this battle. Each year the school-aged group becomes substantially larger because Latin America now leads the entire world in population increase.

The needed numbers of secondary school teachers, and of places for them to teach, must be added to the staggering figures above. And at the university level, there is a whole list of urgently needed changes: broadening professional and graduate training; more attention to science and engineering; development of full-time faculties; support and encouragement of scholarly research; and modernization of university administration.

Probably in no other part of the world is the problem of developing an adequate system of education of greater dimensions—or more important. The lack of such a system is a major explanation for why so many Latin American countries, with excellent constitutions that provide all the proper arrangements and safeguards for maintaining democratic government, have had such difficulties in observing the spirit of these documents.

To be sure, education alone will not create stability and generate national development. But neither will these conditions exist unless supported by education. Enlightened political leadership; an effective civil service; adequate numbers of trained and qualified professionals in teaching, medicine, and engineering; and the spread of modern agricultural techniques—all these are indispensable to modernization, and all are dependent on education.

Without major expansion of educational opportunities at all levels, the means by which progress can be pro-



Reading class for mothers and daughters starts at 6 a. m.

moted and its benefits more equitably shared simply will not exist. Land reform, the revision of the tax system, community development, improved housing, expansion of education itself—all these require skilled professionals to plan them, put them into effect, and manage the continuing operations.

Education can rightly be considered the first standard for judging the commitment of any government to the principle of greater social justice. This standard must be brought to bear with increasing insistence.

Although some countries in Latin America are devoting a creditable proportion of their resources to education, the effort is inadequate everywhere. And it is only fair to admit that in many sections, not only governments but the people are yet to be adequately convinced of the key role that education must play in realizing their dreams of more rapid progress toward a better life. Too often one finds education being looked upon as a ladder by which certain individuals ascend to higher status in the society, rather than as a means by which a whole people climbs in its progress toward full national development.

There was a time when regimes could remain in power by denying education to the people. Since the printed word was almost the only means for the communication of ideas, people who were held in a state of illiteracy seldom questioned, doubted, debated, or rebelled. But the time when this technique can succeed for long is passed. The revolution in modern communications has opened the way to the revolution of ideas. Wise leadership must recognize that a fully educated populace, not an illiterate one, is the only road now open to a stable society.

The radio reaches even the illiterate. The use of pictures and the comic book technique reaches the semiliterate. These instruments are available to demagogues to stir discontent and misery into revolution and upheaval. If these attacks are to be met, the major weapon must be not just literacy but education in the fullest sense.

The decade of the sixties should become known as the era of Latin America's Education Revolution. If it does, it will be a decade full of proof that free societies can mobilize their talents and their resources to make rapid national advancement a reality.

This revolution cannot occur, of course, without progress on the second objective I stated at the outset—tax systems that will produce with equity the funds needed to finance the effort.

In the Act of Bogotá, the signers agreed to examine their tax systems, especially with a view to providing additional revenue for the expanded social and economic development programs. Those anxiously waiting for the dawn of a new day in Latin America will be watching intently to see if there is action to follow up this rather weak but absolutely essential pledge.



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The purpose of land reform is to increase the number of people who own and operate farms efficiently

In some countries, the tax systems seem to be constructed with little or no regard to the need for spurring development. Taxes on wealth in the form of land are low, providing no spur to increased productivity. Indeed, in some cases, the tax system provides incentives for luring urgently needed capital to land being held for the future but contributing nothing to today's development. Often, as a consequence, taxes are high on business and industrial enterprises that are contributing to the growth of the country and diversifying its economy. This state of affairs continues to exist in countries that at the same time seek to promote investment in the enterprises essential to a developing economy. The economic and social objectives of progressive taxation can be achieved without excessive burdens on the most dynamic form of business organization. And it is this kind of organization that Latin America needs, and must encourage.

Changes in taxing systems are intimately linked with what has become perhaps the most pervasive problem in Latin America: that of land tenure. Adequate taxing systems, in many cases, would force unused or inadequately used land into use or into sale where it could be acquired for use by small holders.

It is unfortunate that in so much discussion, "land reform" has become identified almost exclusively with the division of lands now in production. The term should have a much broader and more positive content. The affirmative goal is to increase the number of people who own and operate farms of efficient size, in an efficient manner, and with adequate equipment and working capital. For this goal, division of land already in use is never sufficient. And in much of Latin America, where there are large tracts of idle land, it would not be a major part of an effective program.

In any redistribution of land, it is important to maintain confidence in property by proper compensation and by criteria for acquiring and disposing that are based on economics and not political discrimination. There must be promise of increased productivity or resources will be wasted.

For getting unused land into cultivation by small holders the essential requirements are transportation; capital and credit; information and education; and, finally, the incentives that make men willing to endure the hardships

that always go with pioneering.

Mere division of land already under cultivation would undoubtedly reduce the productivity and incomes of the people in most cases. The new owners would commonly be less efficient farm operators than the existing managers, and would find it difficult to assemble capital for seed, livestock, fertilizer, and equipment. In general, settlement and cultivation of idle land has much more promise for the people of Latin America than the division of land already under cultivation.

But even distribution of unused land will not achieve its purpose without the vigorous promotion of agricultural education to improve agricultural techniques and practices.

Thus, the intimate linkage between learning, land, and taxes becomes clear. Progress on any one will falter unless there is progress also on the other two. And, in all three cases, the major drive for change must come from within the countries themselves. The far-reaching changes that are called for cannot be imposed from the outside. They must spring from within. Outside help is needed; but it will be truly useful only when applied to goals that the people of Latin America have set for themselves.

The goals I have outlined in relation to learning, land, and taxes should spearhead the social revolution Latin American leadership is now discussing. This revolution should be pursued vigorously. It is the revolution that Latin America urgently needs. ☛



Technical training provides the skills for industrial development

2. JOSÉ B. GELBARD

RARELY has man witnessed a more vertiginous succession of events of tremendous historical impact than that which has occurred throughout the world since the end of World War II. If we compare the intensity of life in the eighteenth and nineteenth centuries with life in our time, we have to admit that what formerly required a genera-

tion or more to accomplish is now effected in the brief period of one or two years. Historical and economic patterns are changing; concepts of autarchy and free economy are altering rapidly as a result of the pressure of events that need not even have taken place in the country that suffers their consequences. In short, the

validity of the thoughts and positions of men and governments is rapidly becoming subject to the changing course of events.

We Latin Americans, who are following the events occurring in various parts of the world with understandable uneasiness, feel that normal concern is increasing because of the substantial shrinking of distances. We are all now aware that modern progress has brought all peoples, and hence the effects of their problems, much closer together. We feel much closer to the social and economic problems of Japan and India, the racial problems of South Africa, and the political problems of the Middle East. If this is true, one can easily understand how deeply we are affected by the problems of the Latin American countries. We can no longer adopt the comfortable position of considering the problems of others as separate from our own.

The effect these problems have had on the political situation of Latin American countries is known to everyone, and the greatest event in recent times that recognized this influence is precisely President Kennedy's Alliance for Progress plan. His recognition of the need to ensure democracy by eliminating poverty and hunger, bad housing and illiteracy, and his pledge to take resolute action to put an end to these social ills is without any doubt the most concrete demonstration of the way in which all these events are affecting the social upheaval taking place in our Hemisphere and throughout the world.

All the Latin American countries have vast natural resources that, if utilized, could lead to incomparable economic and social progress. Failure to take advantage of this development wealth, which is such an appropriate instrument for achieving economic progress, and the prevailing low rate of investment are factors that have produced the present economic situation. Moreover, that situation is intensified by the inadequate degree of social evolution, illiteracy, lack of support of many technical experts and entrepreneurs, and the prevalence of an economic structure, based on cattle raising and agriculture, that is neither diversified nor mechanized.

Where the Task Should Begin

As Latin American businessmen who consider that we should not expect everything from the government, we feel that the great task we must carry out to raise the standard of living and increase the faith of the Latin American in democracy should begin in our own national management organizations, whose enormous economic power gives them a valuable instrument for carrying on activities of great political and social impact. The work of the businessmen in Latin America should be intensified and coordinated for the purpose of facilitating the progress of their own companies and of undertaking



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Textile designer

common action that will have an effect on the economic and social prosperity of the nations, in a climate of friendly association and without convulsive changes.

The Latin American businessman has, naturally, a right to participate in the work of national economic development. In making this statement, we wish to express a thought about regional economy that is becoming more widespread every day. Unilateral action by foreign business concerns established in Latin American territory is gradually being replaced by cooperation between Latin American and foreign experts. This joint action, which combines local experience and knowledge of the psychology of the people and the political and economic problems of the country with foreign technical and business experience, and a knowledge of industry at its most developed level, is having beneficial results. This cooperation is one of the most positive instruments for achieving economic and social progress.

However, such efforts, and those made individually by business and professional men and workers in general, will do little good if the countries themselves do not have definite economic development plans, an established scale of priorities essential to the optimum use of available resources, and a more systematic approach to the agricultural and industrial activity of the nation. We have maintained on more than one occasion that financing can be obtained without sound projects, but that success can be obtained only with sound projects. This statement, which may be of interest in the case of a private company, is of great importance for any action undertaken by a government and by a community. A good development program also implies better distribution of the wealth, and a better distribution of the wealth is the only way to insure social peace and the Western way of life.

In recent times, there has been repeated emphasis on the need for basic reform and a more equitable tax policy.

These two phrases mean nothing more than a better distribution of wealth.

The intelligent Latin American businessman should not, and does not, have anything to fear from a policy of that kind. On the contrary, he should help support such a policy, because only with a better distribution of the wealth can the market be expanded through an increase in the purchasing power of the population. The theory of industrial development shows us how difficult it is to establish a good-sized industry unless there is an equivalent consumer market. This is precisely one of the reasons that make common or regional markets necessary. We support the creation of a common market that would make available to us the consumers of our own country, and those of the other countries in this region as well. We are convinced that such a market, when improved in the course of time, will become a powerful factor in national progress.

We do not, therefore, share the opinion of those who maintain that the common market can act as a brake on the industrial development of a certain country or a certain activity. However, both in national and regional projects, we must always keep in mind the necessity for appropriate programming, and the establishment of priorities for the essential aspects of economic and social development. In this respect, the action now being carried out, and that is to be carried out with greater intensity in the future, by international technical agencies, such as the OAS, FAO, ECLA, and others, is of prime importance. International technical cooperation is perhaps one of the most positive forces that has developed out of the countries' collective action in world and regional plans. It occurs to us, however, that such cooperation needs certain adjustments that will give more effectiveness to the coordinated action of such agencies, and will insure their full cooperation with national development agencies, in order to attain the fundamental objectives

We feel the urgency of action . . .

we have mentioned.

The Essential Objective

The implementation of national programs, conceived with a sense of balance and equably executed throughout the territory of certain countries, eliminating privileges for the large areas of urban concentration at the expense of the more backward regions, shows itself in a better standard of living and a higher cultural level for the masses, which is, in the last analysis, the essential objective of a democracy.

All such action must, of course, be supplemented by flexibility in international public financing, which should be neither too demanding in dealing with certain sectors of development, nor too liberal with projects lacking sufficient backing. It goes without saying that a parallel national effort must be made through the channeling of private savings, on the basis of an established scale of priorities, so they will aid in economic and social development. Action by the Inter-American Development Bank, provided it has much greater financing capabilities than at present, can do much to help us in this connection.

This is the kind of Latin America we want to see develop in the future. We have shown how much confidence we have in the free initiative of the businessmen and technical experts of this region and in their spontaneous and genuine cooperation with the businessmen and experts of other regions. We have also expressed our firm support for a comprehensive approach to solutions to the problems plaguing us, solutions calling for profound changes of all those things we have grown accustomed to considering as unchangeable. The old structures that impede economic and social progress will not do, and must be replaced immediately with those that correspond more closely to the needs of the community today. By clinging unnecessarily to an obsolete past we are seriously threatening democracy and the Western way of life.

We feel the urgency of action, and this urgent need to find solutions gives a revolutionary stamp to the solutions themselves. This Latin American revolution is not so much a matter of performing revolutionary acts, but simply of acting. To act, bearing primarily in mind the rapidly changing times in which we live and the uncontrollable pressures that are beginning to be exerted on the economic and social sectors. The Latin American revolution is essentially economic and must not, therefore, have a political character. If the revolution takes on a political character, it means that there has been a failure of the determination to act. It means that the objectives of increased production of wealth and more equitable distribution of the wealth among the masses have not been realized to the extent demanded by today's world. If this escape valve for the urgent social needs of this era closes, it is evident that simultaneously the possibility of a political revolution will open. Let us hope that we shall be able to continue our optimistic attitude, as an expression of our confidence in the determination and faith of the Latin American. ☞



The Changing Issues

BOOKS

as the Experts See Them

ALBERT O. HIRSCHMAN

LATIN AMERICAN ISSUES: ESSAYS AND COMMENTS, edited by Albert O. Hirschman. New York, The Twentieth Century Fund, 1961. 201 p. \$1.45.

MUCH HAS BEEN WRITTEN about the rising impatience of the people in the less developed areas of the world, and in Latin America in particular. What has been less noted is that this impatience is being communicated to those from the advanced countries who, for the first time, come into contact with poverty and economic backwardness abroad. Returning after a quick conducted tour, which nowadays includes the city slums and some agricultural zones where squatters have seized land, they proclaim that the situation is appalling and must be thoroughly changed forthwith by a series of measures conveniently packaged into a five- or ten-point reform program. While this is palpable progress compared to earlier tours, which typically included only Hilton Hotels, fiestas, and perhaps a waterfall or two, the editor of the book under review felt that the new stance was still not good enough, that, before deciding what the remedies are, we ought to do a little inquiring about the ways in which Latin Americans themselves have been looking at their problems, and about their own attempts at solution.

This was the task proposed to a study group that met at the Twentieth Century Fund in 1959 and 1960. The resulting papers, included in the volume under review, were to have this common focus.

The essays fall into two groups. The first addresses itself to such general topics as the changing ideological scene in Latin America, the new social forces, and the problem of inter-American relations. The second group of articles deals with such specific problems of economic policy as inflation, the common market, and land reform.

The first and longest essay of the book, by this writer, "Ideologies of Economic Development in Latin America," reviews the successive views that have been put forward by Latin Americans about the cause and cure of their countries' economic backwardness. The account starts with the "era of self-incrimination," during which Latin American writers frequently proclaimed the all but irreparable degeneracy of their countrymen because of factors of race and climate. The next stage is reached in the inter-war period when the blame is shifted increasingly to the outer world, which is accused of imperialist exploitation. In the postwar period, for the first time, a group of professional economists, led by Raúl Prebisch, fashioned a doctrine that has pervaded the documents and actions of the United Nations Economic Commission for Latin America (ECLA). Its principal earmarks are the stress on the dangers to which Latin America is exposed if it does not quickly industrialize, and the vigorous advocacy of economic planning and inter-Latin-American cooperation.

Nevertheless, the rapid and sustained, if uneven, development of several Latin American countries during the last twenty years—in particular two of the largest, Brazil and Mexico—cries out for an explanation. The essay discusses the tentative diagnoses of novelists, philosophers, and economists who, animated by a new nationalism, are strongly confident that their countries will be able to master their problems of economic development and social justice.

Some of the typical beliefs of the new Latin American middle class are described in the essay contributed by Víctor Alba. While this middle class is in revolt against some aspects of the Latin American tradition, it is shown to hold fast to a number of ingrained or "naturalized" ideas that Alba describes as "myths." (Example: "Problems can be solved by laws.") An interesting attempt is made to define a peculiar Latin American style of solving problems, and to describe the process by which utopia is enacted into law and the law is eventually adapted to reality.

Over the past few years a group of Latin American economists, mostly from ECLA, have worked out their own theory of inflation and have opposed it to the traditional view that all you need to do to stop inflation is to restrict spending by the government and the business community. The latter view is termed "monetarist," whereas the new theory is designated as "structuralist." Ordinarily, traditional Western economists and the International Monetary Fund are considered to be in the monetarist camp; we find their point of view ably expressed in the article by Roberto Campos, well-known Brazilian economist and diplomat. The structuralist position is interpreted by two U.S. economists—David Felix and Joseph Grunwald.

The principal point made by the structuralists is that the economies of several Latin American countries suffer from basic defects—"latifundism," excessive dependence on exports of one or two primary products, extreme inequality of income distribution, and so on—which either make it difficult for economic development to assert itself at all, or will produce inflationary symptoms as soon as some growth is being achieved. Therefore, they hold, the evil of inflation can be durably conquered only by changes in the economic structure, while the old-fashioned remedies against inflation—budget cutting and credit restriction—will produce only stagnation.

Campos counters these arguments by pointing out that



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many of the structural distortions are themselves the product of inflation: for example, agricultural production is inadequate because low prices for essential foodstuffs are maintained by the government during a period of inflation, rather than because of more basic inefficiencies.

The most articulate spokesmen for the structuralist position have emerged in Chile, where inflation is almost a hallowed tradition, and their views are fully detailed by Joseph Grunwald, for many years director of the active Institute of Economics of the University of Chile.

Another topic of discussion on the Latin American scene is the establishment of a free trade area or common market. This is one of those interesting ventures that appeal to people of quite different political persuasions and economic philosophies. The liberal, free-trading economist favors it because it makes for a dismantling of some tariff barriers and for an enlargement of the area of competition, while the *dirigista* sees in it many opportunities for improved programing and planned industrialization. These contrasting appreciations and hopes are well brought out by the two contributions of Raymond Mikesell and Victor Urquidí.

A militant article on land reform, by Thomas Carroll, reflects the growing feeling that the old-fashioned latifundio is destined to become a thing of the past all over Latin America. Carroll describes other important aspects of the Latin American agrarian structure, such as the *minifundio*, *comunidad*, and the *colono* system, and provides much information on agrarian reforms in Mexico, Bolivia, Guatemala, Cuba, and Venezuela, as well as on current projects in Peru and Colombia. He also cites attempts to solve the problem of underutilization of the latifundios by means of tax measures, and the problem of the landless peasant by means of colonization schemes on state-owned land reserves, but his sympathy lies with land redistribution in the established areas close to the population centers.

The first part of the book has a three-cornered discussion on inter-American relations, touched off by an outspoken note whose author ("Ypsilon") prefers to remain unidentified because of his official connection; he argues for a de-emphasis of the inter-American tie and the "family" relationship. "The family analogy is misleading to both sides, arousing expectations whose inevitable disappointment leads to frustration and rancor." The solution, according to Ypsilon, is not a retreat of the United States from Latin America, but the encouragement of greater inter-Latin American cooperation, and even of greater contact between Latin America and the countries of Africa and Asia.

The first essay in the book supports Ypsilon's position from a somewhat different direction. It holds that the most important Latin American countries are at a stage in their development when they wish to maintain a distant and reserved position toward the United States, and that the latter would see its own interests best served by respecting this wish while lending its cooperation in a variety of tasks that can be usefully undertaken without prior comprehensive agreement on goals and basic values. Lincoln Gordon ably criticizes these notions; he holds

that there exists enough of a community of cultural and ideological outlook to warrant a determined attempt at strengthening the existing "special" relationship between the United States and Latin America.

By now it will be evident that the task that had been proposed to the members of the study group has not been strictly adhered to throughout the book. The group was largely, though not wholly, made up of economists who, as August Heckscher says in his preface, have a strong urge to sit as judges and to act as cure-prescribing doctors. Little wonder, then, if the contributors have occasionally come forward with their own strongly held beliefs instead of merely portraying the developing climate of opinion around this or that issue. In such cases, the discussion papers serve the purpose of telling the reader about dissenting views, and it is hoped that in this fashion the book gains in liveliness what it loses in consistency. ☛

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The Organization of American States unites the twenty-one republics of the Western Hemisphere for the common purpose of maintaining peace, freedom, security, and welfare of all Americans. The member states are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the United States, Uruguay, and Venezuela.

The OAS had its inception in 1890 during the First International Conference of American States, which met in Washington, D.C. Called "The House of the Americas," its main building of white marble, with its tropical patio and Aztec Garden, is visited each year by thousands of Americans from all parts of the Western Hemisphere.

The Pan American Union, central permanent organ and General Secretariat of the OAS, has its headquarters in Washington, D.C. Called "The House of the Americas," its main building of white marble, with its tropical patio and Aztec Garden, is visited each year by thousands of Americans from all parts of the Western Hemisphere.

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